

**Ardent Leisure Group Limited (ACN 628 881 603)**

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**REGISTRY**

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**ASX RELEASE**

30 May 2022

**Notice of Extraordinary General Meeting**

Pursuant to ASX Listing Rule 3.17.1, please find attached a Notice of Meeting, Explanatory Statement (including an Independent Expert's Report) and Proxy Form for an Extraordinary General Meeting (Meeting) of Ardent Leisure Group Limited (Ardent Leisure).

The Meeting is being held to seek the approval of Ardent Leisure shareholders to both the sale of Main Event Entertainment to Dave & Buster's and a related distribution to shareholders further to the announcement made on 6 April 2022.

The Meeting will be held as a hybrid meeting at 3:00pm (Sydney time) on Wednesday 29 June 2022. Further details are contained in the Notice of Meeting and Explanatory Statement.

*Authorised by the Board of Ardent Leisure Group Limited*

**Chris Todd**

Group General Counsel and Company Secretary  
Ph: +61 2 9168 4604



**NOTICE OF EXTRAORDINARY GENERAL MEETING**  
**OF**  
**ARDENT LEISURE GROUP LIMITED**  
**(ABN 51 628 881 603)**

WEDNESDAY 29 JUNE 2022  
AT  
3:00 PM

# LETTER FROM THE CHAIRMAN

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Dear Shareholders,

As announced on 6 April 2022, Ardent Leisure Group Limited (the “**Company**” or “**Ardent Leisure**”) has, together with RedBird Capital Partners (“**RedBird**”), agreed to the sale of the entire Main Event Entertainment business (“**Main Event**”) to Dave & Buster’s Entertainment, Inc. (NASDAQ: PLAY) (“**Dave & Buster’s**”) for total cash consideration of US\$835 million plus up to US\$14.8 million deferred and contingent consideration (the “**Proposed Transaction**”). Dave & Buster’s is the owner and operator of 146 venues in North America that combine entertainment and dining and offer customers the opportunity to “Eat Drink Play and Watch,” all in one location.

I am pleased to invite you to the extraordinary general meeting (“**Meeting**”) where you will be asked to consider and, if thought fit, to approve the Proposed Transaction and the Proposed Capital Return (as defined below). After review of the Proposed Transaction, Lonergan Edwards & Associates Limited (the “**Independent Expert**”) has concluded that the Proposed Transaction is fair and reasonable to and in the best interests of Shareholders, in the absence of a superior proposal. On that basis and given that no such superior proposal has emerged, the Ardent Leisure Board (“**Board**”) unanimously recommends that Shareholders vote in favour of the Proposed Transaction.

Ardent Leisure expects to receive approximately A\$670.3 million from the Proposed Transaction (excluding any deferred and contingent consideration), which is approximately A\$30.3 million higher than first announced, due to foreign exchange hedges that the Company announced on 6 May 2022, providing additional benefit to Shareholders.

The Board expects to use approximately A\$60.7 million of the net proceeds from the Proposed Transaction to repay in full the debt drawn under the Queensland Treasury Corporation facility and the amount owing to the ATO under a settlement reached in September 2019.

The Board also intends to make a significant distribution to Shareholders of up to A\$455.7 million (approximately 95 cents per Share) of the net proceeds from the Proposed Transaction in the form of a return of capital (“**Proposed Capital Return**”) and an unfranked special dividend (“**Proposed Special Dividend**”), and together with the Proposed Capital Return, the “**Proposed Distribution**”).

The expected balance of net proceeds from the Proposed Transaction of approximately A\$152.9 million are intended to be used to support the ongoing recovery, growth and development of the Theme Parks & Attractions business which will be its principal focus following completion of the Proposed Transaction (“**Completion**”).

The Proposed Transaction follows a strategic review that resulted in a competitive auction process undertaken by Ardent Leisure and RedBird in relation to the future ownership of Main Event, which was initiated in light of both the strong performance of the Main Event business and RedBird’s ability to acquire a controlling interest in Main Event by exercising its Call Option from 30 June 2022. The auction process resulted in several offers being received, with the Proposed Transaction with Dave & Buster’s being preferred having regard to the strong valuation offered for the business, all cash consideration and the greater certainty of transaction completion compared to the other offers received.

The Ardent Leisure Directors **unanimously recommend** that Shareholders vote in favour of the Proposed Transaction, for the following reasons:

- (a) the Proposed Transaction valuation represents an attractive valuation based on Main Event’s highest ever trailing 12-month EBITDA;
- (b) If the Merger Agreement is terminated for any reason, including as a result of Shareholders not approving the Proposed Transaction at the Meeting, RedBird can exercise the Call Option to move to a 51% controlling interest in Main Event, at a potentially lower valuation than that offered under the Proposed Transaction by Dave & Buster’s;
- (c) if RedBird acquires a controlling interest in Main Event by exercising the Call Option, it will have the power to drag Ardent Leisure into a sale of its remaining 49% interest in Main Event, which may be a less favourable sale outcome for Ardent (and in turn its Shareholders) than the

Proposed Transaction because the minimum sale price at which the drag right becomes operative is lower than the consideration payable under the Proposed Transaction;

- (d) being all cash, the Proposed Transaction offers significant and certain value to Shareholders;
- (e) the Proposed Transaction follows an extensive strategic review undertaken by Ardent Leisure and RedBird in relation to the future ownership of Main Event and at this time no Superior Proposal exists;
- (f) if the Proposed Transaction does not proceed to Completion, Ardent Leisure (i) will remain exposed to the ongoing risks and uncertainties associated with the Main Event business; and (ii) would need to obtain alternative funding to support the Theme Parks & Attractions business;
- (g) following Completion of the Proposed Transaction, Shareholders will retain exposure to a well-capitalised pure-play Theme Parks & Attractions business that is positioned to benefit from the recovery of the Australian tourism economy and the return of international visitors; and
- (h) the Independent Expert has concluded that the Proposed Transaction is fair and reasonable to and in the best interests of Shareholders, in the absence of a superior proposal.

The recommendation above is given on the basis that there is no Superior Proposal and there is no change in the Independent Expert's conclusions that the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Shareholders.

The Directors are also of the opinion that the Proposed Capital Return is fair and reasonable to all Shareholders and **unanimously recommend** that Shareholders vote in favour of the Proposed Capital Return.

Your vote is important and you should carefully read this document as it provides important information on the Proposed Transaction and Proposed Distribution, the Meeting and the Resolutions that you, as a valued Shareholder, are being asked to vote on.

**Dr. Gary Weiss AM**

Chairman, Ardent Leisure Group Limited

30 May 2022

# NOTICE OF EXTRAORDINARY GENERAL MEETING

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Notice is hereby given that the Meeting will be held as a hybrid meeting as follows:

- Date** Wednesday 29 June 2022
- Location** (i) In person at the Sydney office of Gilbert + Tobin Lawyers, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000; and  
(ii) Virtually at the online platform at <https://meetings.linkgroup.com/ALG22>
- Registration** Registration opens in-person from 2:00pm  
Registration opens on the online platform from 2:30pm at the link <https://meetings.linkgroup.com/ALG22>
- Commencement** 3:00pm
- Proxy Form Deadline** 3:00pm on Monday 27 June 2022, being 48 hours prior to the commencement of the Meeting

## Quorum

The quorum for the Meeting is at least two Shareholders present in person or by representative holding ordinary shares of the Company (“**Shares**”). If a quorum is not present within 30 minutes or a longer period allowed by the Chairman, the Meeting will be adjourned to a time and place determined by the Directors.

## Business of the Meeting

The Company invites Shareholders to consider the Resolutions described below:

### 1. Resolution 1 – Approval of the Proposed Transaction

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the disposal of the Company’s interests in the Main Event business, being the main undertaking of the Company, by way of the merger of Ardent Leisure US Holding Inc. with and into Delta Bravo Merger Sub, Inc., in accordance with the terms of the Merger Agreement as further described in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 1 by Dave & Buster’s and Delta Bravo Merger Sub, Inc. (“**Merger Sub**”) as the acquirer of the Company’s main undertaking and any person who might obtain a material benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed (and any associate of such persons). However, this does not apply to a vote cast in favour of this Resolution by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (ii) the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairman to vote on the resolution as the Chairman decides; or

- (iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (A) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (B) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## 2. Resolution 2 – Approval of the Proposed Capital Return

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That, subject to Resolution 1 being passed by the requisite majority and Completion of the Proposed Transaction occurring under the Merger Agreement, the issued share capital of the Company be reduced by up to A\$255.0 million in accordance with sections 256B and 256C of the Corporations Act 2001 (Cth) and that such capital reduction be effected, subject to the Board’s discretion, by the Company paying each Shareholder the amount of up to 53.16 cents per Share on the terms and conditions set out in the Explanatory Statement.”*

A Voting Exclusion Statement is not required for Resolution 2.

### Decision on Resolutions

Shareholders may decide to vote in favour or against each of the Resolutions in their discretion. However, if Shareholders do not approve Resolution 1 (Approval of the Proposed Transaction) at the Meeting, then Resolution 2 (Approval of the Proposed Capital Return) will not be proposed at the Meeting, the Proposed Transaction will not proceed and neither the Proposed Capital Return nor Proposed Special Dividend will be made. If Shareholders approve Resolution 1 but do not approve Resolution 2 and the Proposed Transaction proceeds to Completion, the Company expects to make the Special Dividend of approximately A\$200.7 million and may increase this amount or consider alternative ways to return additional proceeds from the Proposed Transaction to Shareholders, at the Board’s discretion.

### Format of the Meeting

The Company will hold the Meeting to consider the Resolutions as a hybrid meeting, in a manner that is consistent with the *Corporations Act 2001* (Cth) (the “**Corporations Act**”) and the Constitution of Ardent Leisure. Shareholders can attend either:

- in person, at the Sydney office of Gilbert + Tobin Lawyers, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000. Registration opens in-person from 2:00pm on the date of the Meeting; or
- virtually, by joining the online meeting at <https://meetings.linkgroup.com/ALG22>. Registration opens on the online platform from 2:30pm on the date of the Meeting.

The Board encourages Shareholders to attend the Meeting virtually rather than physically. However, if you would like to attend the Meeting in person, please note that places are limited and you must RSVP by email to [ardentleisureEGM@investor.morrowsodali.com](mailto:ardentleisureEGM@investor.morrowsodali.com) no later than 5:00pm on Wednesday 22 June 2022. Shareholders who join the Meeting online do not need to RSVP by this time and will have the same opportunity as Shareholders who attend in person to:

- ask questions of the Directors (see “Submission of questions” below for further information);
- hear the responses to questions given during the Meeting; and

- cast a vote in real-time during the Meeting on the Resolutions to be considered at the Meeting.

Further details on how to participate in the online meeting are set out in the Online Meeting Guide which can be found on the Company's website at [www.ardentleisure.com](http://www.ardentleisure.com). The Online Meeting Guide includes details of how to ensure your browser is compatible with the online platform, and a step-by-step guide to logging in, navigating the site, and asking questions and voting at the Meeting.

## **Voting at the Meeting**

### **Who can vote?**

The Directors of the Company have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that Shareholders appearing on the Company's register at 3:00pm on Monday 27 June 2022 are entitled to attend and subject to any voting restrictions, vote on the Resolutions at the Meeting. Accordingly, transfers of Shares registered after this time will be disregarded in determining the entitlement to vote on the Resolutions at the Meeting.

If your Shares are jointly held, only the vote of the person named first in the register will be counted. You need not exercise all of your votes in the same way, nor vote on all of your Shares.

### **What percentage of Shareholders are required to approve the Resolutions?**

Each of the Resolutions will be passed as an ordinary resolution if more than 50% of the votes cast by Shareholders present and eligible to vote at the Meeting (whether in person (physically or virtually), by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) are in favour of them.

The Ardent Leisure Chairman, Dr. Gary Weiss AM, who has a relevant interest in approximately 4.83% of the outstanding issued Shares as at the date of this document<sup>1</sup> has provided a letter of support to Ardent Leisure stating that it is his intention for such Shares (and any other Shares in which he may have a relevant interest at the time of the Meeting) to be voted in favour of any shareholder resolution in connection with the Proposed Transaction at the Meeting. This voting intention statement is subject to the Merger Agreement not having been terminated and the Board continuing to unanimously recommend that Shareholders vote in favour of the Proposed Transaction at the Meeting.

### **Resolution by poll**

In accordance with clause 5.8 of the Company's Constitution, voting on all resolutions will be by way of a poll.

### **Voting in person or electronically at the Meeting**

To vote in person, Shareholders must RSVP and attend the Meeting on the date and at the place set out above.

Shareholders who wish to vote at the Meeting using the online platform will have the opportunity to lodge a vote on the Resolutions to be considered at the Meeting at any time between the commencement of the Meeting and the close of voting at the Meeting as announced by the Chairman during the Meeting.

More information about how to use the online platform for voting is provided in the Online Meeting Guide. If you intend to use the online platform to submit a vote during the Meeting, we suggest that you check that the online platform works on your device well in advance of the Meeting.

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<sup>1</sup> There are 479,706,016 Shares outstanding as at the date of this document.

## Voting by Proxy

If you cannot attend and vote at the Meeting (either in person or on the online platform), you have the right to appoint a person or body corporate to attend as your proxy. Your proxy does not need to be a Shareholder. If you appoint a body corporate as your proxy, the body corporate will need to appoint an individual as its corporate representative to exercise its powers at the Meeting and provide satisfactory evidence of the appointment prior to the commencement of the Meeting.

You may complete the Proxy Form in favour of the Chairman or appoint up to two proxies to attend the Meeting (in person or virtually, by logging onto the platform linked above) and vote on your behalf. Proxy forms can be found on the Company's website at [www.ardentleisure.com](http://www.ardentleisure.com).

If you wish to appoint two proxies, both forms should be completed with the nominated number of voting rights. If you appoint two proxies and the appointment does not specify the number of votes the proxies may exercise, each proxy may exercise one half.

To ensure that all Shareholders are able to exercise their right to vote on the proposed resolutions, completed Proxy Forms must be received no later than 3:00pm on Monday 27 June 2022 (being 48 hours prior to the commencement of the Meeting) by:

- **Lodging online** at <http://www.linkmarketservices.com.au/> in accordance with the instructions provided on the website. You will need your HIN or SRN to lodge your proxy online;
- **Mobile device**, by scanning the QR code on the proxy form on your mobile device and following the instructions;
- **Post** to Ardent Leisure Group Limited, c/ Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- **Facsimile** transmission on +61 2 9287 0309; or
- **By hand** delivery to Ardent Leisure Group Limited, c/o Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you wish to return your Proxy Form via post, please be aware of current postal timeframes, including the possibility of delays.

The Chairman of the Meeting intends to vote all undirected proxies in favour of each Resolution.

## Corporate Representatives

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should lodge their properly executed letter or other document confirming their authority to act as the company's representative with their Certificate of Appointment of Corporate Representative form. A Certificate of Appointment of Corporate Representative form may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and must be received by the registry by 3:00pm on Monday 27 June 2022.

Where a body corporate appoints a proxy, the Proxy Form must be signed by a duly appointed attorney or by a director jointly with either another director or a company secretary or, for a proprietary company that has a sole director who is also the sole company secretary, that director.

## Submission of questions

A Shareholder who is entitled to vote at the Meeting may submit written questions to the Company online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) by selecting 'EGM Questions' from the home page and following the prompts. The questions should relate to:



- (a) the business of the Company; or
- (b) any of the Resolutions.

Whilst Shareholders will be provided with a reasonable opportunity to ask questions at the Meeting, it would be desirable for Questions to be received by the Company's registrar, Link Market Services, before 5:00pm on Wednesday, 22 June 2022.

Those Shareholders in person at the Meeting will have a reasonable opportunity to ask questions as directed. Those Shareholders participating online will also have a reasonable opportunity to submit questions during the Meeting on the Meeting platform - further details are available in the Online Meeting Guide which can be found on the Company's website at [www.ardentleisure.com](http://www.ardentleisure.com).

### **Webcast**

An archived webcast of the Meeting will be available online at [www.ardentleisure.com](http://www.ardentleisure.com) on the business day following the Meeting.

### **Results of the Meeting**

Voting results will be announced on the Australian Securities Exchange (the **ASX**) as soon as practicable after the Meeting and will also be made available on the Company's website at [www.ardentleisure.com](http://www.ardentleisure.com).

### **Important notices**

#### **General**

This document is dated 30 May 2022.

#### **Times**

Unless otherwise stated or implied, references to dates or years are calendar year references. All references to time in this document are references to the time in Sydney, Australia unless otherwise stated.

#### **Defined terms**

Capitalised terms in this Notice of Meeting and Explanatory Statement are defined in either the "Glossary and Interpretation" section or where the relevant term is first used.

#### **Responsibility**

This Notice of Meeting and Explanatory Statement has been prepared by Ardent Leisure. Dave & Buster's has provided and is responsible for the Dave & Buster's information in paragraph 9 of Resolution 1. Ardent Leisure and its Directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the Dave & Buster's information in paragraph 9 of Resolution 1.

Lonergan Edwards & Associates Limited has prepared the Independent Expert's Report in Schedule 2 in relation to the Proposed Transaction. Ardent Leisure does not assume any responsibility for the accuracy completeness of the Independent Expert's Report, except to the extent that any inaccuracy or incompleteness in the Independent Expert's Report arises directly from the inaccuracy or incompleteness of information given to Lonergan Edwards & Associates Limited by Ardent Leisure.

#### **ASX**

A final copy of this document has been given to the ASX. Neither ASX nor any of its respective officers takes any responsibility for the contents of this document.

## **Forward-looking statements**

Some of the statements appearing in this document may be in the nature of forward-looking statements. Sometimes, but not always, forward looking statements may be identified by the words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, “consider”, “foresee”, “aim”, “will” and similar expressions. Indications of, and guidance on, future revenue, capital expenditure, earnings, financial position and performance and cash flows are also forward-looking statements. You should be aware that such statements are only estimates and are subject to inherent risks and uncertainties, many of which are outside Ardent Leisure’s control. Those risks and uncertainties include factors and risks specific to Ardent Leisure, Main Event, the Theme Parks & Attractions business and external risks such as (without limitation) operational risks, the impact of inflation on operating costs, any fluctuations in exchange rates, the impact of COVID-19, regulatory issues and changes in law and accounting policies, any increased competition, loss of key personnel, impact of changes to interest rates and changes to government fiscal, monetary and regulatory policies. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement.

The forward-looking statements in this document reflect views held only as at the date of this document. All forward looking statements included in this document are believed on reasonable grounds not to be misleading or deceptive. Ardent Leisure has no obligation to disseminate any updates or revisions to any such statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based, unless it is required to update or correct this document pursuant to the ASX Listing Rules or the Corporations Act.

This document includes information regarding the past performance of the Company. Shareholders should be aware that past performance should not be relied upon as being indicative of future performance.

## **Financial information presentation**

All references to FY18, FY19, FY20 and FY21 appearing in this document are to the financial years ended 26 June 2018, 25 June 2019, 30 June 2020 and 29 June 2021 respectively, unless otherwise indicated. All references to 1HFY22 appearing in this document is to the financial half year ended 28 December 2021, unless otherwise indicated.

All financial information in respect of FY18, FY19, FY20 and FY21 has been extracted from the audited financial statements of the Company and all financial information in respect of 1HFY22 has been extracted from the reviewed financial statements of the Company, that have in each case been released to the ASX.

## **No financial product advice**

Nothing in this document constitutes financial product or investment advice in respect of the Resolutions. It is not a recommendation to buy or sell Shares or any other securities. It has been prepared without considering the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek financial, legal, taxation and other professional advice appropriate to their jurisdiction and circumstances. Ardent Leisure is not licensed to provide financial product advice in relation to the Shares or any other financial product.

## **Notice to persons outside Australia**

This document has been prepared in accordance with Australian laws and disclosure requirements. These laws and disclosure requirements may be different to those in other countries.

**Disclaimer**

No person is authorised to give any information or make any representation in connection with the Proposed Transaction that is not contained in this document. Any information or representation not contained in this document must not be relied on as having been authorised by Ardent Leisure or its officers, employees or advisers in connection with the Proposed Transaction.

**Internet sources do not form part of this document**

No internet site forms part of this document. The Company maintains an internet site ([www.ardentleisure.com](http://www.ardentleisure.com)). Any reference in this document to this internet site (or to any other internet site) is a textual reference only and the internet site does not form part of this document by virtue of any such reference.

**Currency and Currency Conversion**

All financial amounts contained in this document are expressed in Australian dollars and cents (which are marked as "A\$" or referred to as "cents") or United States dollars (which are marked as "US\$") unless otherwise stated.

Unless otherwise stated, all conversions of amounts from US\$ to A\$ assume the AUDUSD exchange rate of 0.7265, being the effective exchange rate expected to apply assuming Completion occurs at the assumed time under the foreign currency hedging arrangements previously disclosed by Ardent Leisure to ASX on 6 May 2022.

**Rounding**

Percentages and certain amounts included in this document have been rounded for ease of preparation and presentation. Accordingly, numerical figures shown as totals in certain tables may not be the exact arithmetic aggregations of the figures that precede them. In addition, certain percentages and amounts contained in this document reflect calculations based on the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages or amounts that would be derived if the relevant calculations were based upon the rounded numbers. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this document are due to rounding.

By order of the Board of Directors of Ardent Leisure.

**Chris Todd**

**Company Secretary**

30 May 2022

# EXPLANATORY STATEMENT

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## Introduction

This Explanatory Statement has been prepared to help Shareholders understand the business to be put to Shareholders at the Meeting. This Explanatory Statement forms part of the Notice of Meeting and should be read in full in conjunction with the Notice of Meeting.

## Purpose

The purpose of this Explanatory Statement is to provide Shareholders with information to consider before voting on the Resolutions. Shareholders will have an opportunity to vote on the Resolutions at the Meeting to be held (i) at the Sydney office of Gilbert + Tobin Lawyers, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000 and (ii) on the online platform at the website <https://meetings.linkgroup.com/ALG22> on Wednesday 29 June 2022 at 3:00pm.

## Why should you vote?

As a valued Shareholder, your vote enables you to have a say in whether the Resolutions are approved and to play a role in deciding the future of Ardent Leisure.

## What should you do next?

### Step 1: Read this Explanatory Statement in full

You should read and carefully consider the information included in this Explanatory Statement (including the Independent Expert's Report set out in Schedule 2) to help you make an informed decision as to how to vote on the Resolutions.

### Step 2: Vote on the Resolutions

As a Shareholder, it is your right to vote on whether the Resolutions should be approved and, therefore, whether the Proposed Transaction and Proposed Capital Return should proceed. You can vote in person at the Meeting, on the online platform at the time of the Meeting or by proxy (by hand, post, fax, mobile device or online). Details on how to vote are set out on pages 6-7 of this document.

## What do your Directors Recommend?

The Directors **unanimously recommend** that you vote in favour of Resolution 1 to approve the Proposed Transaction.

The Directors are also of the opinion that the Proposed Capital Return is fair and reasonable to all Shareholders and therefore **unanimously recommend** that Shareholders vote in favour of Resolution 2.

## For Further Information

If you have any questions after reading the Notice of Meeting and Explanatory Statement, please call the Shareholder Information Line on 1300 540 303 (within Australia) or +61 2 9066 4083 (outside Australia), Monday to Friday between 9:00am and 5:00pm (Sydney time).

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# RESOLUTION 1 - APPROVAL OF THE PROPOSED TRANSACTION

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## 1 Overview of the Proposed Transaction

As announced on 6 April 2022, Ardent Leisure has together with RedBird agreed to the sale of the entire Main Event business to Dave & Buster's for total cash consideration of US\$835 million plus up to US\$14.8 million<sup>2</sup> deferred and contingent consideration. The Proposed Transaction would be implemented by Dave & Buster's wholly owned subsidiary, Merger Sub, being merged with and into Ardent Leisure US Holding Inc. (the holding company of the Main Event business) ("**ALUSH**"), with ALUSH continuing as a surviving entity and as a wholly-owned subsidiary of Dave & Buster's. Ardent Leisure's indirect shareholding in ALUSH would be cancelled as part of the merger in consideration for the receipt of the cash consideration.

If Shareholders approve the Proposed Transaction by voting in favour of Resolution 1, and the other conditions are satisfied, Ardent Leisure currently expects to receive approximately US\$487 million<sup>3</sup> in cash (A\$670.3 million<sup>4</sup>) for its 72.6%<sup>5</sup> interest after repayment of debt in Main Event, payments to Main Event management under the Main Event LTIP and in respect of shares owned by management, US transaction costs and other transaction adjustments, but before the estimated deferred and contingent consideration of up to US\$8.4 million<sup>6</sup>. This reflects Ardent Leisure's share of the net proceeds of the Proposed Transaction having regard to its equity interest in Main Event and an agreement with RedBird in relation to the sharing of proceeds in respect of the portion of Ardent Leisure's holdings in Main Event over which RedBird has the Call Option (see paragraph 7.3 below).

The Proposed Transaction is subject to the terms and conditions of an Agreement and Plan of Merger dated 6 April 2022 between Dave & Buster's, Merger Sub, ALUSH, Ardent Leisure, the RedBird Stockholder and the RedBird Obligors, as amended (the "**Merger Agreement**"). The Merger Agreement is summarised in Schedule 1 and was attached to the Company's announcement on 6 April 2022.

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## 2 Timetable

The indicative timetable for the Meeting, Completion of the Proposed Transaction and the Proposed Distribution is set out below:

Event	Time
Despatch of Notice of Meeting and Explanatory Statement	Monday 30 May 2022
Final time for lodgement of Proxy Forms and record date for voting at the Meeting	3:00pm on Monday 27 June 2022
Meeting	3:00pm on Wednesday 29 June 2022
Results of Meeting announced	As soon as possible after the Meeting on Wednesday 29 June 2022

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<sup>2</sup> This reflects the expected payment to the Main Event stockholders of future tax benefits (including any net operating loss carry-forwards with respect to certain assets) realised by Dave & Buster's in respect of prior tax periods ending on or before 31 December 2028 in respect of the Main Event business. These tax benefits are subject to a cap under the Merger Agreement and there is no guarantee that all or any of these future tax benefits will be realised and such payment will be received.

<sup>3</sup> US\$24.0 million of this amount was received by the Ardent Leisure Stockholder as part of a US\$33 million distribution made by ALUSH on 5 April 2022. See footnote 15 for more information.

<sup>4</sup> This is based on the AUD:USD exchange rate implied under the FX Hedge assuming Completion of the Transaction occurs on the assumed timeframe. The precise AUD:USD exchange rate applicable under those arrangements will depend on how quickly Completion occurs but will not be less than A\$664.5 million.

<sup>5</sup> Ardent Leisure Group's current indirect equity interest in Main Event after considering RedBird's semi-annual Proposed Distributions on preferred equity that were taken in the form of equity interests in Main Event.

<sup>6</sup> This reflects the expected payment to Ardent Leisure of its portion of future tax benefits. See footnote 2 for further information.

Expected timing for, and announcement of, Completion of Proposed Transaction	Friday 1 July 2022
Expected announcement of effective date of Capital Return	
Expected effective date for the Capital Return	
Expected last day for trading of Shares entitled to participate in the Capital Return and Special Dividend	Monday 4 July 2022
Expected trading in Shares on an 'ex return of capital' and 'ex dividend' basis	Tuesday 5 July 2022
Expected record date for the Capital Return and Special Dividend (" <b>Record Date</b> ")	Wednesday 6 July 2022
Expected date of payment of the Capital Return and Dividend	Wednesday 13 July 2022

The timetable and the dates above (and the references to those dates throughout this document) are indicative only. The Company may vary those dates in accordance with the Merger Agreement and applicable laws in its absolute discretion and without prior notice.

Completion of the Proposed Transaction is subject to the terms of the Merger Agreement, including satisfaction of the conditions precedent (as summarised in Schedule 1). The dates above and within this document with respect to the timing of the Proposed Distribution will depend on timing of Completion of the Proposed Transaction, and the Company will confirm these dates to Shareholders as soon as it is able to do so.

Changes to the above dates will be announced to the ASX and notified on the Company's website.

### 3 Why is Shareholder approval required?

ASX Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders for a disposal of its main undertaking. Ardent Leisure's interests in Main Event constitute the main undertaking of Ardent Leisure for the purposes of ASX Listing Rule 11.2 and, accordingly, Shareholder approval is required for the Proposed Transaction to proceed. Resolution 1 seeks this approval from Shareholders.

If Resolution 1 is passed, Ardent Leisure will be able to proceed with the Proposed Transaction, subject to the satisfaction or waiver of any other remaining conditions precedent in the Merger Agreement. If Resolution 1 is not passed, the Proposed Transaction and subsequent Proposed Distribution will not proceed.

### 4 Reasons to vote in favour of the Proposed Transaction

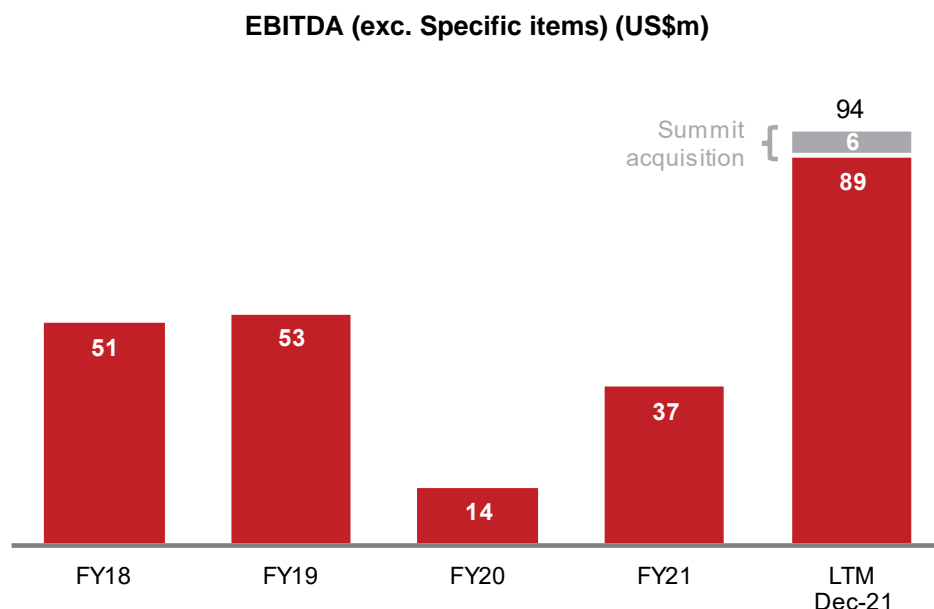
#### 4.1 The Proposed Transaction represents an attractive valuation based on Main Event's highest ever trailing 12-month EBITDA

The Board believes that the Proposed Transaction realises the current and inherent value of the Main Event business. The Proposed Transaction implies an attractive valuation multiple of approximately 9x adjusted EBITDA<sup>7</sup> for the 12 months to 28 December 2021. Furthermore, this EBITDA reflects Main

<sup>7</sup> "Multiple based on 1) EBITDA excluding specific items but including Summit family entertainment centres acquired in March 2022 of US\$94 million; and 2) Enterprise Value plus expected payment for future tax benefits realised by Dave & Buster's. Specific items for these purposes include impairment of assets, pre-opening expenses, Main Event LTI valuation expense, RedBird Option valuation expense, restructuring and other non-recurring items, lease payments no longer recognised in EBITDA under AASB16 Leases, loss on disposal of assets and early termination of leases.

Event's highest ever trailing 12-month EBITDA as shown in Figure 1 below. This followed a strong recovery in demand driven by the easing of restrictions in the US that were imposed in response to the COVID-19 pandemic, successful execution of several strategic initiatives including an improved guest experience, new innovation and effective marketing and continued investment in new centre openings.

**Figure 1:**



**4.2 If the Merger Agreement is terminated for any reason, including as a result of Shareholders not approving the Proposed Transaction at the Meeting, RedBird can exercise the Call Option to move to a 51% controlling interest in Main Event, at a potentially lower valuation than that offered under the Proposed Transaction by Dave & Buster's**

On 15 June 2020, RedBird, through its affiliated fund, RB ME LP (the “**RedBird Stockholder**”), invested US\$80 million into Main Event in exchange for a 24.2% preferred equity interest in ALUSH. Since this time, the RedBird Stockholder's interest has increased to 27.0% due to semi-annual distributions on its preferred equity that were taken in the form of equity interests.

In conjunction with its initial investment, the RedBird Stockholder was granted a call option by Ardent Leisure to acquire additional shares in ALUSH from Ardent Leisure Limited (the “**Ardent Leisure Stockholder**”) which, together with its holding at the time of exercise, would deliver the RedBird Stockholder 51% controlling ownership of ALUSH (the “**Call Option**”).

In late 2021, as part of both RedBird and Ardent Leisure considering the strategic options for the future ownership of Main Event, RedBird agreed to pause its ability to exercise its Call Option and suspend its semi-annual distributions on its preferred equity pending the outcome of the strategic review, which had the effect of pausing the dilution of Ardent Leisure's ownership of ALUSH. At the same time the parties agreed to an arrangement as to how, in the event of a majority sale of Main Event, they would allocate between themselves any additional sale proceeds attributable to the option shares above an agreed threshold. Such arrangement applies only to completion under the Proposed Transaction or a Superior Proposal as defined in the Merger Agreement.

In connection with the Proposed Transaction, RedBird also agreed in April 2022 not to exercise the Call Option (which it could have done from 30 June 2022) for so long as the Merger Agreement remains in effect, provided that the time for exercising the Call Option would be extended beyond the original deadline of 1 July 2024 if the Merger Agreement is terminated, by one-half of the total number of days during which the Merger Agreement remains in effect and has not been terminated (the “**Exercise Period**”).

If the Merger Agreement is terminated for any reason,<sup>8</sup> including as a result of Shareholders not approving the Proposed Transaction at the Meeting, the RedBird Stockholder could exercise the Call Option at any time after the later of 30 June 2022 and the date of termination of the Merger Agreement. If this were to occur, the RedBird Stockholder would acquire a 51% controlling interest in ALUSH and Ardent Leisure would become a minority shareholder in ALUSH. There is no certainty as to whether the RedBird Stockholder will exercise the Call Option or when it may do so within the Exercise Period if the Merger Agreement is terminated.

If the RedBird Stockholder gives notice of its intention to exercise the Call Option, the exercise price for the Call Option will be calculated based on a multiple of a normalised last twelve months pro forma EBITDA for Main Event. This means that Main Event's business performance in the lead up to exercise of the Call Option will determine the Exercise Price. The multiple would be 9.0x but reduce to 8.0x if it were not possible for ALUSH to obtain certain consents from Main Event's debt provider to the change of control caused by the exercise of the Call Option or complete a debt refinancing on no less favourable terms, which cannot be guaranteed. The higher of the resulting amount and a floor price of US\$251 million would then be multiplied by 51% less the percentage interest already held by the RedBird Stockholder immediately prior to the exercise of the Call Option to reach the exercise price (the "**Exercise Price**"). There is no certainty that if the RedBird Stockholder exercises the Call Option, the Exercise Price will exceed the valuation that is implied by the Proposed Transaction given that this would depend on how the Main Event business performs in the lead up to exercise and whether the lender's consent has been obtained to the change of control. Consequently, the Exercise Price may be at a potentially lower valuation than that offered under the Proposed Transaction by Dave & Buster's.

In addition, if the Proposed Transaction does not proceed to Completion, RedBird's semi-annual distributions on its preferred equity would resume, including reinstatement of distributions which are currently suspended. This would mean that Ardent Leisure's interests in ALUSH would be diluted assuming RedBird continued to take these distributions in the form of equity interests.<sup>9</sup>

#### **4.3 If RedBird acquires a controlling interest in Main Event, it will have the power to drag Ardent Leisure to sell its remaining 49% interest in Main Event which may be a less favourable sale to Shareholders than the Proposed Transaction**

Following exercise of the Call Option, the RedBird Stockholder will acquire a controlling interest in Main Event and will be empowered to exercise 'drag rights' which require Ardent Leisure to sell its 49% minority interest in Main Event to an unaffiliated third party (a "**Drag Along Sale**"). Such a sale would only have to result in the Ardent Leisure Stockholder receiving aggregated gross proceeds realised or to be realised from such sale of at least US\$306.25 million (the "**Minimum Return Threshold**"). Therefore, a Drag Along Sale where the Minimum Threshold is met but not exceeded would be approximately 15%<sup>10</sup> lower than the value of Main Event under the Proposed Transaction. Accordingly, a Drag Along Sale may be a less favourable sale to Shareholders than the Proposed Transaction as there is no guarantee that Ardent Leisure will receive more than the Minimum Return Threshold for the sale of its 49% minority interest in Main Event.

Although any such Drag Along Sale would likely require Ardent Leisure Shareholder approval for the same reasons as the Proposed Transaction<sup>11</sup>, failure to obtain such approval and prevent the Drag Along Sale would reduce substantially the Ardent Leisure Stockholder's rights in connection with its ongoing investment in ALUSH such that it would be a passive investor in ALUSH and the Main Event business (see section 7.4(b)(iii) for more details).

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<sup>8</sup> See "Termination" in Schedule 1 for the circumstances in which the Merger Agreement may be terminated.

<sup>9</sup> RedBird's interest in ALUSH would be increased to 28% at 30 June 2022 and increased to 29% at 31 December 2022 if the Proposed Transaction does not reach Completion and RedBird's semi-annual distributions on its preferred equity become payable and are taken in the form of additional equity interests in ALUSH.

<sup>10</sup> Based on the implied total enterprise value of Main Event at the Minimum Return Threshold assuming the same level of net debt as expected on Completion of the Proposed Transaction and not including any part of the deferred and contingent consideration as described in footnote 2.

<sup>11</sup> Assuming that the Drag Along Sale of Ardent Leisure's interest in Main Event would at the time of such sale, represent the main undertaking of Ardent Leisure for the purposes of ASX Listing Rule 11.2.



#### **4.4 If the Proposed Transaction does not proceed to Completion, RedBird retains its consent right over alternative transactions**

In conjunction with Redbird's investment in ALUSH, RedBird was granted minority consent rights over certain transactions, including (i) any merger, consolidation or otherwise that would lead to the creation of equity in ALUSH; (ii) the entry into joint ventures, partnerships, strategic alliances or similar transactions; (iii) the undertaking of a public offering; and (iv) the sale of Ardent Leisure's securities in ALUSH without first offering those shares for sale to RedBird (as discussed in section 7.6 below). Accordingly, any transaction with respect to these matters requires RedBird's prior consent or involvement.

RedBird has already provided its consent to the Proposed Transaction. However, if the Proposed Transaction does not proceed to Completion, RedBird could withhold or delay its consent with respect to any alternative transaction. There is no certainty as to whether RedBird will grant its consent to such an alternative transaction, or when it may do so, if the Merger Agreement is terminated.

#### **4.5 Being all cash, the Proposed Transaction offers significant and certain value to Ardent Leisure and its Shareholders**

The Proposed Transaction consideration will be paid in cash and provides Ardent Leisure and its Shareholders with significant and certain value.

As discussed in section 4.1 above, the Proposed Transaction represents an attractive valuation based on Main Event's highest ever trailing 12-month EBITDA.

The net proceeds from the Proposed Transaction are expected to allow for the repayment in full the remaining drawn balance on Completion of the QTC Facility and the amount owing to the ATO by Ardent Leisure on Completion under the ATO Liability. Following these payments, Ardent Leisure will have no debt and expects to have approximately A\$152.9 million which are intended to be used to support the ongoing recovery, growth and development of the Theme Parks & Attractions business.

Shareholders will also receive certain value from the Proposed Transaction, as Ardent Leisure intends to distribute up to A\$455.7 million (or 95 cents per Share) of the proceeds of the Proposed Transaction to Shareholders following Completion of the Transaction. A breakdown of the proposed use of proceeds and Proposed Distribution can be found in section 6.2(a) below.

The Proposed Transaction also removes exposure to risks for Shareholders involved in the continued ownership of Main Event, including a possible decline in consumer discretionary spending in the United States, particularly as a result of rising inflation, a decline in consumer confidence or an increase in interest rates in the United States, and as a result of the US Federal Reserve winding down its COVID-19 support and expiration of federally legislated stimulus support. Many of these risks are outside the control of Ardent Leisure, the Board and management and if one or more of these risks eventuates, then the future operating and financial performance of Main Event and the value of your investment in Shares may be adversely affected. Other key risks of a continued ownership in Main Event are discussed in section 4.7 below.

If the Proposed Transaction does not reach Completion, there is no certainty of the value that Ardent Leisure and its Shareholders will receive other than the minimum amounts it is entitled to receive upon the exercise of the Call Option and the Minimum Return Threshold for a Drag Along Sale, which could be less favourable for Shareholders than the Proposed Transaction.

#### **4.6 The Proposed Transaction follows a strategic review undertaken by Ardent Leisure and RedBird in relation to the future ownership of Main Event and at this time no Superior Proposal exists**

The Proposed Transaction follows a strategic review undertaken by Ardent Leisure and RedBird in relation to the future ownership of Main Event, which included engagement with a broad range of potential investors and acquirors, which was initiated in light of both the strong performance of the Main Event business and RedBird's ability to acquire a controlling interest by exercising the Call Option which it would have been able to do from 30 June 2022. The decision to initiate the strategic review was made at a time when the far more contagious Omicron variant of COVID-19 emerged as a significant threat to the

Main Event business. The Board considered that in all of the circumstances (and having regard to the rights that RedBird would have had were it to exercise its Call Option from 30 June 2022), it was prudent to work with RedBird to identify a potential investor or acquirer of RedBird's interests in Main Event (or of the whole of Main Event itself) at a time when the business was still performing strongly.

Although the Board considered whether other alternatives to such a sale existed, none were considered to be realistic or practical. For example, if RedBird exercised the Call Option from 30 June 2022 and sought to sell its 51% interest, Ardent could buy back Redbird's interests under the right of first offer (as discussed in section 7.6 below), but this was not considered to be feasible due to the substantial upfront cost to Ardent Leisure in doing so, as well as the significant ongoing funding requirements that would have been needed to continue the growth and new centre openings by Main Event (which the Board considers would only be possible with a strategic partner). Nor did the Board consider that running a sale process for the whole of Ardent Leisure would be practical at a time when RedBird held a Call Option over Main Event, which is the group's largest asset, which would accelerate and become exercisable upon a change of control of Ardent Leisure.

The competitive auction process arising out of the strategic review resulted in several offers being received, however, no such other offers were assessed and considered by the Board to be superior to the Proposed Transaction with Dave & Buster's. The Proposed Transaction with Dave & Buster's was preferred having regard to the strong valuation offered for the Main Event business, all cash consideration and the greater certainty of transaction completion compared to the other offers received. The Board therefore considers that the Proposed Transaction, which is all cash, offers significant and certain value to Shareholders, and that is at an attractive valuation based on Main Event's highest ever trailing 12-month EBITDA, is fair and reasonable and in the best interests of Shareholders in the absence of a Superior Proposal.

The Board has not received or become aware of any superior proposal since the announcement of the Proposed Transaction.

**4.7 If the Proposed Transaction does not proceed to Completion, the Company (i) will remain exposed to the ongoing risks and uncertainties associated with the Main Event business; and (ii) would need to obtain alternative funding to support the Theme Parks & Attractions business**

The Proposed Transaction will remove several risks associated with ongoing exposure to Main Event. These risks include, but are not limited to:

- (a) execution risk of Main Event's roll-out strategy, including the outlay of upfront significant capital expenditure and lease commitments;
- (b) future adverse impacts of the COVID-19 pandemic, including further venue closures or reductions in demand;
- (c) future adverse impacts of a decline in consumer discretionary spending in the United States, particularly as a result of rising inflation, a decline in consumer confidence or an increase in interest rates in the United States, and as a result of the US Federal Reserve winding down its COVID-19 support and expiration of federally legislated stimulus support;
- (d) the risk of increased competition as capital is continuing to be invested in out-of-home entertainment options;
- (e) labour uncertainty in terms of a competitive job market and increasing wage rates; and the current political environment being more favourable to organised labour;
- (f) supply chain disruptions that may drive increases in costs and/or delays in availability of goods including construction materials, games, amusement offerings, inventory and commodity costs;
- (g) volatility in equity and financing markets impacting the future valuation of Main Event; and

- (h) being subject to the risks associated with becoming a minority shareholder in the Main Event business if RedBird exercises the Call Option, which are discussed in section 8.3 below.

Many of these risks are outside the control of Ardent Leisure, the Board and management and if one or more of these risks eventuates, then the future operating and financial performance of Main Event and the value of your investment in Shares may be adversely affected.

In addition, the proceeds to be received from the Proposed Transaction are expected to enable Ardent Leisure to repay outstanding liabilities and support its strategy for the ongoing recovery, growth and development of the Theme Parks & Attractions business. Without these proceeds, the Company would need to obtain alternative funding. Alternative sources of funding may lead to a less favourable outcome for Shareholders, as explained in section 8.1(b) below.

#### **4.8 Following Completion of the Proposed Transaction, Shareholders retain exposure to a well-capitalised pure-play Theme Parks & Attractions business, that is positioned to benefit from the recovery of the Australian tourism economy and return of international visitors**

Following Completion of the Proposed Transaction, payment of transaction costs, the repayment of debt, and following the Proposed Distribution, Ardent Leisure will be debt free and expects to have approximately A\$152.9 million of capital which are intended to be used to support the Theme Parks & Attractions business which will include continued investment in new major rides and attractions, the redevelopment of existing attractions, and costs associated with preliminary town planning work and council approvals to best position Ardent Leisure to unlock value with respect to the possible future development or use of the parks' surplus land. Ardent Leisure has previously indicated any such development would be funded by a development partner or otherwise require additional funding. This will better position the Theme Parks & Attractions business to benefit from increases in leisure spending, including as a result of increased levels of inter-state and international travel to Queensland following the suppressed levels experienced during the COVID-19 pandemic.

#### **4.9 The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to and in the best interests of Shareholders, in the absence of a superior proposal**

After considerable and detailed analysis and assessment of the Proposed Transaction, the Independent Expert has assessed the Proposed Transaction and concluded that the Proposed Transaction is fair and reasonable to and in the best interests of Shareholders, in the absence of a superior proposal. The Independent Expert Report can be found at Schedule 2.

#### **4.10 The HSR Clearance Condition has been satisfied and no further regulatory clearances need to be obtained in the US prior to the Completion of the Proposed Transaction**

The waiting period applicable to the Proposed Transaction under the HSR Act expired effective 18 May 2022 at 11:59 p.m. Eastern Time. Accordingly, the HSR Clearance Condition has been satisfied. The Proposed Transaction continues to be subject to the remaining conditions described in Schedule 1, however, there are no regulatory impediments remaining in the United States.

#### **4.11 The Board unanimously recommends that Shareholders vote in favour of the Proposed Transaction**

The Board believes that the Proposed Transaction is in the best interest of Shareholders, and unanimously recommends that Shareholders approve the Proposed Transaction by voting in favour of the Resolution 1 and subject to the Independent Expert continuing to conclude that the Proposed Transaction is in the best interests of Shareholders. The Board's recommendation is based on the Board's consideration of:

- the reasons to vote in favour and against the Proposed Transaction as summarised in sections 4 and 5;
- the assessment of the risks summarised in section 8 above, in particular, the risks associated with the Proposed Transaction and if the Proposed Transaction does not proceed to Completion;

- the terms of the Proposed Transaction, including without limitation, the significant and certain cash consideration and level of certainty of execution as compared to the other offers that were received as part of a strategic review undertaken by Ardent Leisure and RedBird, in relation to the future ownership of Main Event before the Merger Agreement was entered into; and
- the Independent Expert's finding that the Proposed Transaction is fair and reasonable to and in the best interests of the Shareholders, in the absence of a superior proposal.

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## **5 Reasons to vote against the Proposed Transaction**

### **5.1 Ardent Leisure will cease to have any direct interest in the Main Event business and Shareholders will therefore not participate in the future financial performance of that business**

Ardent Leisure is selling its entire interest in the Main Event business to Dave & Buster's under the Proposed Transaction. Shareholders will not have future exposure to the Main Event business, including the opportunity to benefit from the potential growth in the Main Event business following Completion of the Proposed Transaction (albeit that any continued exposure to the growth of the Main Event business remains subject to Ardent Leisure retaining its interest in Main Event, which may be significantly reduced if RedBird exercises the Call Option or enforces its rights after exercising the Call Option to drag Ardent Leisure into a Drag Along Sale).

### **5.2 If the Proposed Transaction proceeds to Completion, Ardent Leisure will be less diversified and have a narrower focus on, and be wholly reliant on, its Theme Parks & Attractions business**

The narrowed focus of Ardent Leisure and reliance on the Theme Parks & Attractions business following Completion of the Proposed Transaction will mean Ardent Leisure is less diversified and more susceptible to business risk within the Theme Parks & Attractions business, as well as having greater dependency on the Queensland tourism economy. For more information, see the risk factor in section 8.1(c) below.

### **5.3 Liquidity of the Company's Shares may potentially decrease**

The reduced scale of Ardent Leisure following Completion of the Proposed Transaction, and following the Proposed Distribution of proceeds, may result in less liquidity of Shares which may affect the valuation of Shares and the ability of Shareholders to trade their Shares after Completion of the Transaction.

### **5.4 Shareholders may believe a Superior Proposal could emerge**

The Proposed Transaction follows a competitive auction process undertaken by Ardent Leisure and RedBird in relation to the future ownership of Main Event.

Further, in the interest of its Shareholders when negotiating the Merger Agreement, the Board has specifically preserved flexibility to engage with any further proposals that it considers could become superior to the Proposed Transaction.

Shareholders may believe that a Superior Proposal could emerge before the Meeting. However as at the date of this document there is no certainty that any superior proposal could be forthcoming.

### **5.5 Shareholders may believe that the Proposed Transaction is not fair and reasonable or not in their best interests**

Shareholders may believe that the Proposed Transaction is not fair or not reasonable, or otherwise not in their best interests. This view may also be formed notwithstanding that:

- (a) the Independent Expert having concluded after its detailed analysis and assessment of the Proposed Transaction that the Proposed Transaction is fair and reasonable to and in the best interest of the Shareholders, in the absence of a superior proposal; and

- (b) the Board's recommendation that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders.

## 6 Effect of the Proposed Transaction on the Company

### 6.1 Overview

Following Completion of the Proposed Transaction, the Company intends to remain listed on the ASX and continue to own and operate its Theme Parks & Attractions business. The Company will continue to be called Ardent Leisure Group Limited and will remain headquartered in Sydney, Australia.

The Company will continue to be the owner and operator of theme parks and attractions in Australia, operating Dreamworld, WhiteWater World and SkyPoint. Dreamworld is Australia's biggest theme park with 40 rides and attractions, as well as wildlife exhibits. WhiteWater World which is co-located with Dreamworld is a seasonal water park with a multitude of waterslides and attractions. SkyPoint is an attraction located at the top of Australia's tallest building, Q1, which offers panoramic views of the Gold Coast and offers experiences including SkyPoint Climb.

### 6.2 Financial effect of the Proposed Transaction on Ardent Leisure

#### (a) Summary of cash proceeds and expected cash to be retained by Ardent Leisure

If Completion of the Proposed Transaction occurs in the anticipated timeframe, the Company expects to receive approximately A\$670.3 million for its 72.6%<sup>12</sup> interest in Main Event after repayment of debt in Main Event, payments to Main Event management under the Main Event LTIP<sup>13</sup> and in respect of shares owned by management, US transaction costs and other transaction adjustments, but before the estimated deferred and contingent consideration of up to US\$8.4 million<sup>14</sup>. The actual amount of proceeds at Completion of the Proposed Transaction will depend on the balance sheet of ALUSH on Completion of the Transaction and Purchase Price Adjustments, both of which may result in either an increase or decrease to the cash proceeds to be received by Ardent Leisure.

The table below bridges the acquisition enterprise value for Main Event to the estimated cash proceeds to be received by Ardent Leisure (but not including any contingent or deferred consideration referred to above). The analysis assumes an indicative 30 June 2022 Completion date and is subject to change based on the timing of Completion of the Transaction.

	US\$million
Acquisition enterprise value	835.0
Estimated repayment of gross debt	(149.8)
Estimated cash on balance sheet	67.9 <sup>15</sup>
Estimated new centre capex addback	2.7
Estimated transaction costs	(19.8)

<sup>12</sup> Ardent Leisure Group's current indirect equity interest in Main Event after considering RedBird's semi-annual Proposed Distributions on preferred equity that were taken in the form of equity interests in Main Event.

<sup>13</sup> For further information on these payments, see footnote 16.

<sup>14</sup> This reflects the expected payment to Ardent Leisure of its portion of future tax benefits. See footnote 2 for further information.

<sup>15</sup> Estimated cash at completion of A\$67.9 million is before payment of a US\$33 million dividend to ALUSH shareholders on 5 April 2022. This dividend effectively brought forward receipt of gross proceeds of US\$24.0 million, US\$8.9 million and US\$0.1 million for Ardent Leisure, RedBird and management shareholders, respectively. As a result, the amounts remaining to be paid to Shareholders on Completion will accordingly be less than the payments presented in the table above.

<b>Estimated cash for Proposed Distribution to Main Event stockholders</b>	<b>736.1</b>
Estimated cash to management under the Main Event LTIP <sup>16</sup>	(60.0)
Estimated cash to RedBird	(186.6) <sup>17</sup>
Estimated cash to pay Series B preferred stockholders (Main Event management) <sup>18</sup>	(2.5) <sup>19</sup>
<b>Estimated cash to Ardent Leisure (US\$million)</b>	<b>487.0<sup>20</sup></b>
<i>AUDUSD</i>	0.7265 <sup>21</sup>
<b>Estimated cash to Ardent Leisure (A\$million)</b>	<b>670.3<sup>22</sup></b>

The table below sets out the proposed use of proceeds from the proposed Transaction by Ardent Leisure, assuming an indicative 30 June 2022 Completion date. The QTC Facility and the ATO Liability balances are higher than the figures used in the 28 December 2021 pro forma balance sheet below due to:

- (i) actual and expected drawdowns on the QTC Facility over the period; and
- (ii) accrued interest on the QTC Facility and ATO Liability over the period.

	<b>A\$million</b>
<b>Cash to Ardent Leisure from Proposed Transaction</b>	<b>670.3<sup>23</sup></b>
Expected repayment of QTC Facility	(49.7)
Expected repayment of ATO Liability	(11.0)
Expected cash to be retained for Theme Parks & Attractions funding	(152.9)

<sup>16</sup> This reflects estimated payment to management of Main Event under the Main Event LTIP. Under the terms of the Main Event LTIP (which are summarised in the Remuneration Report within the Ardent Leisure Annual Report for FY21), management of Main Event were granted a one-off incentive opportunity linked specifically to appreciation in the equity value of the Main Event business over a threshold amount (which was appropriately reset following RedBird's investment in June 2020) and that would become payable upon the occurrence of a realisation event, including relevantly a disposal of the business. Completion of the Proposed Transaction at the implied valuation, which is significantly in excess of the threshold valuation, will trigger a realisation event and accelerate vesting of entitlements for eligible participants. None of the managers that are eligible under the Main Event LTIP participated in Ardent Leisure's negotiation or decision-making process to proceed with the Proposed Transaction.

<sup>17</sup> US\$8.9 million of this amount was received by the RedBird Stockholder as part of a US\$33 million distribution made by ALUSH on 5 April 2022.

<sup>18</sup> For more information, see note 36(f) to the Company's FY21 Annual Report.

<sup>19</sup> US\$0.1 million of this amount was received by the Series B preferred stockholders as part of a US\$33 million distribution made by ALUSH on 5 April 2022.

<sup>20</sup> US\$24.0 million of this amount was received by the Ardent Leisure Stockholder as part of a US\$33 million distribution made by ALUSH on 5 April 2022.

<sup>21</sup> Assumes completion of the Proposed Transaction by 30 June 2022 and takes into account the foreign exchange hedges in place.

<sup>22</sup> Expected gross proceeds to Ardent Leisure assumes completion of the Proposed Transaction by 30 June 2022 and takes into account the foreign exchange hedges in place. This amount exceeds the minimum amount of A\$664.5 million used elsewhere in this document due to the assumed timing of Completion and the amount receivable under the FX Hedge which differs depending on the date of Completion.



Expected Australian selling costs	(1.0)
<b>Proposed Distribution</b>	<b>455.7</b>

**(b) Pro-forma consolidated balance sheet**

The pro-forma consolidated balance sheet of Ardent Leisure as of 28 December 2021, adjusted for the Proposed Transaction and Proposed Distribution and other assumptions noted below, is provided to assist Shareholders to understand the effect of the Proposed Transaction, specifically, relative to the Company's most recently disclosed financial accounts.

The pro-forma consolidated balance sheet has been derived from the interim financial report of Ardent Leisure dated 24 February 2022 for the half year ended 28 December 2021. The interim financial report was reviewed by Ernst & Young, Ardent Leisure's auditors, and lodged with ASX on 25 February 2022. The pro-forma consolidated balance sheet has not been audited or reviewed.

The pro-forma balance sheet information is presented in abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

<b>A\$ million</b>	<b>Reported as of 28 December 2021<sup>23</sup></b>	<b>Change due to Proposed Transaction<sup>26</sup></b>	<b>Post-Proposed Transaction and Proposed Distribution as of 28 December 2021</b>
Cash	110.4	71.5	181.9
Other assets	872.4	(740.3)	132.1
<b>Total Assets</b>	<b>982.8</b>	<b>(668.8)</b>	<b>314.0</b>
QTC loan	39.1	(39.1)	-
ATO Liability	10.5	(10.5)	-
Lease liabilities	406.9	(406.7)	0.2
Other financial debt	266.4	(266.4)	-
Other liabilities	123.4	(96.2)	27.2
<b>Total Liabilities</b>	<b>846.3</b>	<b>(818.9)</b>	<b>27.4</b>
<b>Total Equity</b>	<b>136.5</b>	<b>150.1</b>	<b>286.6</b>

The key assumptions that inform this pro forma consolidated balance sheet:

- assuming the Proposed Transaction and Proposed Distribution occurred on 28 December 2021;

<sup>23</sup> Reported balances as of 28 December 2021 include translation of USD amounts at a closing exchange rate of 0.7232 at that date. The change due to the Proposed Transaction assumes deconsolidation of Man Event net assets at the same exchange rate.

- assuming the Proposed Transaction occurred on a “cash free, debt free” basis;
- recognising the receipt of approximately A\$670.3 million<sup>24</sup> in gross proceeds from the Proposed Transaction, consistent with section 6.2(a) above and assuming no further Purchase Price Adjustments, which cannot be known with certainty at this time;
- the extinguishment of the QTC Facility and ATO Liability balances in existence as at 28 December 2021 of A\$49.6 million (this will differ from the expected repayments assumed in section 6.2(a) above and actual repayments required at Completion due to additional debt drawn and interest accrued from 28 December 2021 to the date of Completion) and payment of A\$1.0 million of other Australian transaction costs;
- implied cash intended to be retained for Theme Parks & Attractions business funding of A\$164.0 million (this will differ from the amount set out in section 6.2(a) above and the balance on Completion of the Transaction due to additional debt drawn and interest accrued from 28 December 2021 to the date of Completion which will be repaid out of the gross proceeds).

Additional detail on the calculation of the cash proceeds to Ardent Leisure and the implied cash retained by Ardent Leisure after the Proposed Distribution are set out in section 6.2(a) above. This additional detail is provided to assist Shareholders understand the steps included in the Proposed Transaction and the difference in the proceeds to be received and the cash to be retained by Ardent Leisure depending on the timing of the Proposed Transaction.

### (c) Pro-forma consolidated income statement

The pro-forma consolidated income statement of Ardent Leisure for the 12 months ended 28 December 2021, adjusted for the Proposed Transaction and Proposed Distribution and other assumptions stated below, is provided to assist Shareholders to understand the effect of the Proposed Transaction, specifically, relative to certain income statement line items.

The pro-forma consolidated income statement shows performance for the last 12 months to 28 December 2021 and has been derived from the interim financial reports of Ardent Leisure dated 24 February 2021 and 24 February 2022 for the half years ended 29 December 2020 and 28 December 2021 respectively, and the full year report of Ardent Leisure dated 25 August 2021 for the year ended 29 June 2021. The interim financial reports were reviewed by Ernst & Young, Ardent Leisure’s auditors, and lodged with ASX on 25 February 2021 and 25 February 2022. The full year financial report was audited by Ernst & Young and lodged with the ASX on 26 August 2021. The pro-forma consolidated income statement has not been audited or reviewed.

The pro-forma consolidated income statement is presented in abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

A\$ million	LTM to 28 December 2021 <sup>25</sup>	Change due to Proposed Transaction <sup>28</sup>	Post- Proposed Transaction and Proposed Distribution LTM to 28 December 2021
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<sup>24</sup> Expected gross proceeds to Ardent Leisure assuming Completion of the Proposed Transaction on the indicative date of 30 June 2022 and takes into account the foreign exchange hedges in place. This amount excludes expected payment of deferred and contingent consideration to the Main Event stockholders for future tax benefits, of which Ardent Leisure expects to be allocated US\$8.4 million.

<sup>25</sup> Reported results for LTM to 28 December 2021 include translation of USD amounts at an average exchange rate of 0.7504 to that date. The change due to the Proposed Transaction assumes derecognition of Man Event result at the same foreign exchange rate.



<b>Normalised (line items below revenue shown pre-specific items)<sup>26</sup></b>			
<b>Revenue</b>	<b>528.6</b>	<b>(487.2)</b>	<b>41.4</b>
Costs	(436.4)	369.5	(66.9)
<b>EBITDA</b>	<b>92.2</b>	<b>(117.7)</b>	<b>(25.5)</b>
<b>PBT</b>	<b>(2.3)</b>	<b>(30.6)</b>	<b>(32.9)</b>
<b>NPAT</b>	<b>(7.3)</b>	<b>(16.1)</b>	<b>(23.4)</b>
<b>Statutory</b>			
<b>Revenue</b>	<b>528.6</b>	<b>(487.2)</b>	<b>41.4</b>
Costs	(412.8)	345.6	(67.2)
<b>EBITDA</b>	<b>115.8</b>	<b>(141.6)</b>	<b>(25.8)</b>
<b>PBT</b>	<b>(39.6)</b>	<b>6.4</b>	<b>(33.2)</b>
<b>NPAT</b>	<b>(41.4)</b>	<b>7.4</b>	<b>(34.0)</b>

The key assumptions that inform this pro forma consolidated income statement include (but are not limited to):

- assuming Proposed Transaction and Proposed Distribution occurred on 29 December 2020;
- assuming the Proposed Transaction occurred on a “cash free, debt free” basis;
- the extinguishment of the ATO liability and QTC facility balances as at 29 December 2020 such that associated interest expense recognised for the full 12 month period of A\$1.2 million is eliminated;
- assuming that there are no other immediate major changes to the structure of the Board or the Group’s Corporate Head Office management team resulting from the Proposed Transaction. As a result, it is likely that savings in annual corporate costs of approximately A\$0.2 million will accrue to the Group following the Proposed Transaction; and
- assuming that surplus cash balances will be invested in term deposits of varying maturities between 3-12 months which will earn interest income averaging approximately A\$0.5 million per annum based on current market interest rates.

**(d) Effect on capital structure and future capital requirements**

As set out above, following the Completion of the Proposed Transaction the Company intends to repay all debt and expects to retain approximately A\$152.9 million cash on its balance sheet. This will provide the Company with a stronger balance sheet than immediately prior to the Proposed Transaction and is expected to be sufficient to cover the Company’s funding requirements for the medium-term.

<sup>26</sup> Specific items include impairment of assets, pre-opening expenses, Dreamworld incident costs (net of insurance recoveries), Main Event LTI valuation expense, RedBird Option valuation expense, restructuring and other non-recurring items, lease payments no longer recognised in EBITDA under AASB16 Leases, loss on disposal of assets and early termination of leases.

With the remainder of the net proceeds, the Company intends to pay the Proposed Distribution of up to A\$455.7 million (or 95 cents per Share) to Shareholders. The Proposed Distribution is expected to be comprised of:

- up to A\$255.0 million via the Proposed Capital Return contemplated by Resolution 2 (note that, subject to the ATO's confirmation the Proposed Capital Return of A\$255.0 million will represent not only equity capital previously raised by Ardent Leisure for its investment in Main Event, but equity capital also raised and used in relation to businesses that were disposed of by Ardent Leisure during the 2016 to 2018 years and therefore is considered excess to Ardent Leisure's capital requirements); and
- the remainder of approximately A\$200.7 million as the Proposed Special Dividend.

In the opinion of the Board, following Completion of the Proposed Transaction, Ardent Leisure will have capital in excess of what is expected to be sufficient to support the operations of Ardent Leisure's Theme Parks & Attractions business in the medium term. The Proposed Capital Return (which is made up of all equity previously raised by Ardent Leisure for businesses that are no longer held, including the proposed sale of Main Event) is therefore consistent with the Board's strategy to reduce excess capital, while maintaining sufficient cash intended to be used to support the Company's remaining ongoing operations. This will result in a further reduction of capital in the Company by that amount, of up to A\$255.0 million, leaving equity of approximately A\$522.1 million.

Otherwise, the Proposed Transaction will not impact the capital structure of the Company. For clarity, the Company will not issue or cancel any shares as a part of the Proposed Transaction.

### **6.3 Tax impact on Ardent Leisure from the Proposed Transaction**

Whilst the final tax impact of the Proposed Transaction will depend on the specific circumstances existing at Completion of the Proposed Transaction, the Company does not expect to incur any material cash tax liability in respect of the Proposed Transaction.

Any capital gain (or loss) realised by the Company on the sale of Main Event should be reduced to nil under the Capital Gains Tax ("CGT") participation exemption. This means that any capital gain derived by the Company from the Proposed Transaction should not be subject to Australian income tax. The Proposed Transaction itself has no Australian tax consequences for Shareholders.

Australian tax consequences for individual Shareholders with respect to the Proposed Distribution are described at section 8 of Resolution 2.

### **6.4 Changes to Senior Management and the Directors**

Subject to and following Completion of the Proposed Transaction:

- Chris Morris, the President and Chief Executive Officer of Main Event, will become the Chief Executive Officer of Dave & Buster's; and
- Chris Morris and Darin Harper, the Group Chief Financial Officer of Ardent Leisure and the Chief Financial Officer of Main Event, will cease to be key management personnel of Ardent Leisure.

There will be no other immediate changes to the senior management or the Board of Ardent Leisure if the Proposed Transaction is implemented. The necessity for any such changes will be further considered by the Board following Completion of the Proposed Transaction.

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## 7 Intentions and consequences if the Proposed Transaction is not approved by Shareholders or not implemented

### 7.1 Overview

If the Proposed Transaction is not approved by Shareholders or otherwise not implemented for any reason, Ardent Leisure will continue to operate both its Theme Parks & Attractions business and the Main Event business as it does at the date of this Document. However, the future ownership of Main Event will be subject to RedBird determining whether to exercise the Call Option to move to a controlling 51% interest in Main Event (which right has been paused while the Merger Agreement remains effective) and potentially exercising its right to drag Ardent Leisure into a Drag Along Sale that may be less favourable to Shareholders than the Proposed Transaction.

There is no certainty as to whether RedBird would in fact exercise the Call Option, and if so, as to what stage during the Exercise Period it would do so, nor whether RedBird would exercise its right to drag Ardent Leisure into a Drag Along Sale of its interest in the Main Event business after exercising the Call Option. The impacts of this ongoing uncertainty regarding Ardent Leisure's future ownership in Main Event and its involvement in decision-making could have a materially adverse impact on the Main Event business and, consequently, the value of the Company's investment in Main Event if the Proposed Transaction does not reach Completion. This is further discussed in section 7.4 below.

In certain circumstances as mentioned in section 7.2 below, ALUSH may be required to make payment to Dave & Buster's of a termination break fee if the Merger Agreement is terminated and the Proposed Transaction does not proceed to Completion.

### 7.2 ALUSH termination break fees

ALUSH will be required to pay Dave & Buster's a termination break fee of US\$8.35 million if the Merger Agreement is terminated by:

- (i) Dave & Buster's, if the Board shall have made any change of recommendation to Shareholders about the Proposed Transaction as permitted under the Merger Agreement ("**Change of Recommendation**");
- (ii) Ardent Leisure if there is a Change in Recommendation before Ardent Leisure Shareholders approve the Proposed Transaction where the Expert concludes that the Proposed Transaction is not fair and reasonable to or not in the best interests of Shareholders (a "**Negative Report**");
- (iii) Ardent Leisure if there is a Change in Recommendation before Shareholders approve the Proposed Transaction in order to accept and, substantially concurrently, enter into a binding definitive agreement to consummate a Superior Proposal (as defined in the Merger Agreement and discussed in Schedule 1); or
- (iv) Dave & Buster's, ALUSH, Ardent Leisure or RedBird if at the Meeting, Shareholders do not approve the Transaction or if Completion does not take place before the End Date<sup>27</sup>, so long as any other alternative Acquisition Proposal for 50.1% or more of the total assets or total equity interests in ALUSH or its subsidiaries shall have been publicly announced, publicly known or publicly communicated before the date of the Meeting and definitive documentation is entered or such transaction is consummated within 12 months of termination.

Payment of the termination break fee will be required to be made if the Merger Agreement is terminated under sub-paragraphs (i)-(iii) irrespective of whether or not any transaction is actually consummated. The termination break fee will only be payable in sub-paragraph (iv) where definitive documentation is entered into or such Superior Proposal transaction is consummated within 12 months of termination.

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<sup>27</sup> 11:59pm (Dallas, Texas time) on 6 January 2023 or 90 days thereafter if the No Restraints Condition has not been satisfied by this time.

The above break fee is in addition to those break fees payable by RedBird. Further details of the break fees payable in connection with the termination of the Merger Agreement are set out in Schedule 1, including the process that must be followed before the Merger Agreement can be terminated by Ardent Leisure.

### **7.3 Call Option**

As discussed in Section 4.2 above, in conjunction with its initial investment in Main Event, the RedBird Stockholder was granted the Call Option, entitling it to acquire from the Ardent Leisure Stockholder additional interests in ALUSH which, together with RedBird's holding at the time of exercise, would deliver RedBird 51% controlling ownership of ALUSH.

The Call Option is exercisable between 30 June 2022 and 1 July 2024. However, in connection with the Proposed Transaction, the RedBird Stockholder has agreed not to exercise the Call Option for so long as the Merger Agreement remains in effect, provided that the time for exercising the Call Option will be extended if the Merger Agreement is terminated, by one-half of the total number of days during which the Merger Agreement remains in effect and has not been terminated. The RedBird Stockholder will be permitted to exercise the Call Option within the Exercise Period if the Merger Agreement is terminated for any reason, including if Shareholders do not approve the Proposed Transaction or if there is a change in recommendation from the Board in circumstances where it is permitted under the Merger Agreement (see "Termination" in Schedule 1 for more information on the circumstances in which the Merger Agreement may be terminated). If RedBird gives notice of its intention to exercise the Call Option, the Exercise Price will be determined as described in section 4.2 above, and there is no certainty that the Exercise Price will exceed the valuation that is implied by the Proposed Transaction given that this would depend on how the Main Event business performs in the lead up to exercise and whether the lender's consent has been obtained to the change of control. Consequently, the Exercise Price may be at a potentially lower valuation than that offered under the Proposed Transaction by Dave & Buster's.

If the Call Option is exercised, RedBird will become a 51% majority shareholder of ALUSH. The Ardent Leisure Stockholder will retain typical and customary minority consent rights related to the preservation of its interest in ALUSH, including having a consent right over the issue of new equity that would rank senior to the equity it holds, and a consent right over certain substantive operational matters, such as the entry into certain material indebtedness or joint ventures. However, the Ardent Stockholder will be exposed to risks associated with becoming a minority shareholder as discussed in section 8.3 below.

### **7.4 Drag Along Sale**

If the RedBird Stockholder becomes the majority stockholder of ALUSH by exercising the Call Option, it would be permitted to drag the Ardent Leisure Stockholder into a Drag Along Sale if:

- the sale is of at least a majority of the outstanding shares in ALUSH;
- the Minimum Return Threshold is met; and
- the procedure for the drag-along notice is followed.

In this context, a "drag" right is the right to force a holder of securities to sell their interests in shares or other securities to a third party without such holder's consent.

#### **(a) Minimum Return Threshold**

A Drag Along Sale must result in the Ardent Leisure Stockholder receiving aggregated gross proceeds for its 49% interest realised or to be realised of US\$306.25 million (i.e. the Minimum Return Threshold).

#### **(b) Procedure of Drag Along Sale and Requirement for Shareholder Approval**

To commence a Drag Along Sale, the RedBird Stockholder would be required to provide written notice to the Ardent Leisure Stockholder that confirms the Minimum Return Threshold is met and include details of the proposed sale.<sup>28</sup>

The Ardent Leisure Stockholder would be bound and obligated to transfer its shares in ALUSH to the prospective buyer if the RedBird Stockholder consummates the proposed Drag Along Sale within 180 days of providing the notice of the Drag Along Sale (or within 210 days following that time to comply with applicable regulatory requirements, which may include for example, antitrust approval or Ardent Leisure Shareholder approval). Failure to close the sale within that timeframe would require the drag process to be restarted.

In connection with a Drag Along Sale, Ardent Leisure would be required to use reasonable best efforts to promptly seek approval from the ASX that Shareholder approval is not required for the sale, or to obtain Shareholder approval if ASX determines it is required or if it is reasonably determined to be required by counsel to the RedBird Stockholder or the Ardent Leisure Stockholder. If Ardent Leisure fails to obtain confirmation from ASX that Shareholder approval isn't required or if Shareholder approval is not obtained if it is required, then the Ardent Leisure Stockholder will lose certain protections under the Stockholder Agreement. These include the following:

- (i) the composition of the board of directors of ALUSH would change from five directors to four directors, with the Ardent Leisure Stockholder being entitled to nominate one director and the RedBird Stockholder being entitled to nominate three directors (instead of two each);
- (ii) the yearly operating budget and annual forecasts would not require the affirmative approval of the Ardent Leisure Stockholder appointed director; and
- (iii) The Ardent Leisure Stockholder would lose its consent rights over all key decisions of ALUSH, including in relation to dividends and proposed distributions, debt financing decision, capital expenditure decisions, M&A and strategic matters, amongst other decisions.

## 7.5 Tag Along Right

After a change of control of Ardent Leisure or after the Call Option has expired, if either the Ardent Leisure Stockholder or the RedBird Stockholder elects to transfer its shares in ALUSH (such selling stockholder, the **"Prospective Selling Holder"**), the Prospective Selling Holder must provide a written notice to the other stockholder (the **"Tag Along Offeree"**) including the material terms of the proposed sale. Within 10 business days after such notice, the Tag Along Offeree may elect to participate in such sale in accordance with its percentage ownership of ALUSH. The tag rights do not apply in relation to certain types of transfer, including the exercise of the drag right summarised above.

## 7.6 Right of First Offer

In the event that the Ardent Leisure Stockholder or the RedBird Stockholder desires to transfer its shares in ALUSH (the **"Offered Securities"**) to a third party (the **"Transferring Stockholder"**), the Transferring Stockholder must deliver a notice (the **"ROFO Notice"**) to the other stockholder (the **"Non-Transferring Stockholder"**). After receipt of the ROFO Notice, the Non-Transferring Stockholder shall have the right to make an irrevocable offer to purchase all of the Offered Securities. If the Transferring Stockholder rejects that offer, the Transferring Stockholder is entitled to transfer the Offered Securities to a third party provided it is on no better terms (including as to price) than the irrevocable offer received from the Non-Transferring Stockholder and is completed within a stated period of time. The right of first offer does not apply in relation to certain types of transfer, including the exercise of the drag right summarised above.

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<sup>28</sup> Such details to include the principal terms of the proposed sale including the number and classes of shares to be acquired by the prospective buyer in the proposed sale, the number of shares to be acquired from the RedBird Stockholder, the manner in which such shares are to be sold, the per share consideration to be received in the proposed sale (which may be estimated if the price is determined by a formula including variables which cannot be precisely determined until closing), whether the Minimum Return Threshold will be met in connection with the consummation of the proposed sale and the name of the prospective buyer.

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## 8 Risk factors

Shareholders are currently exposed to various risks as a result of their investment in Ardent Leisure which may, either individually or in combination, adversely impact Ardent Leisure's future operating and financial performance and the value of its Shares.

If the Proposed Transaction proceeds to Completion, there will be a change in the risk profile to which Shareholders are exposed as a result of the disposal of the Main Event business and the Company's operations being solely focused on its Theme Parks & Attractions business. Paragraph 8.1 of this section describes some of the potential risks involved with an investment in Ardent Leisure following the implementation of the Proposed Transaction.

There are also risks associated with the Proposed Transaction that are set out in paragraph 8.2 of this section and risks associated with an investment in Ardent Leisure if the Proposed Transaction does not proceed to Completion as set out in paragraph 8.3 of this section.

This section does not purport to list every risk that may be faced by Ardent Leisure. The selection of risks outlined in this section is based on an assessment of the probability of the risk occurring, the impact of the risk on Ardent Leisure should the risk materialise and Ardent Leisure's ability to mitigate the risk. This assessment is based on the knowledge of the Board and management as at the date of this document. There is no guarantee or assurance that the importance of the risks will not change or other risks that may adversely impact Ardent Leisure will not emerge.

Many of these risks, or the consequences of such risks, are outside the control of Ardent Leisure, the Board and management. If one or more of these risks eventuates, then the future operating and financial performance of Ardent Leisure and the value of your investment in Shares may be adversely affected.

### 8.1 Specific risks associated with Ardent Leisure and the Theme Parks & Attractions business if the Proposed Transaction proceeds

#### (a) The Themes Parks & Attractions business is currently loss-making and its recovery is subject to factors largely outside of Ardent Leisure's control

As at the date of this Notice of Meeting, the Company's Theme Parks & Attractions business is loss making. In recent years this has primarily been the result of the impact of COVID-19 on the Theme Parks & Attractions business, including the temporary closure of all of the Company's revenues on 23 March 2020, with SkyPoint Observation Deck and Climb reopening in July 2020 and Dreamworld and WhiteWater World reopening in mid-September 2020. Prior to this time, the Theme Parks & Attractions business was negatively impacted by the Dreamworld incident in 2016 and regular adverse media coverage that followed due to the Coronial Inquest, the Workplace Health and Safety prosecution, certain civil claims and the announcement of certain changes to the health and safety laws affecting theme parks.

Despite the Theme Parks & Attractions business operating revenue increasing by A\$5.4 million (41.0%) in 1HFY22 due to higher pass sales and improved attendances, Theme Parks & Attractions EBITDA loss excluding specific items<sup>29</sup> was A\$12.2 million. The Theme Parks & Attractions business has been supported recently by a A\$69.9 million financial assistance package (comprising the A\$63.7 million QTC Facility and grants of A\$6.2 million) obtained from the Queensland Treasury Corporation that has provided sufficient liquidity for the business to fund working capital and capital projects, such as the new Steel Taipan roller-coaster which opened in December 2021. However, amounts drawn under the A\$63.7 million QTC Facility which form part of this financial assistance package must be repaid from the proceeds of the Proposed Transaction if it proceeds to Completion under the terms of that loan.

Following Completion of the Proposed Transaction, payment of transaction costs, the repayment of debt, and the Proposed Distribution, Ardent Leisure expects to retain approximately A\$152.9

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<sup>29</sup> Significant non-trading income or expense items which are non-cash or non-recurring in nature and which are separately disclosed in the Group's financial statements as management believe this is useful in better understanding the statutory results.



million<sup>30</sup> of the proceeds from the Proposed Transaction which are intended to be used to support the Theme Parks & Attractions business which will include continued investment in new major rides and attractions, the redevelopment of existing attractions, and costs associated with preliminary town planning work and council approvals to best position Ardent Leisure to unlock value with respect to the possible future development or use of the parks' surplus land. Ardent Leisure has previously indicated any such development would be funded by a development partner or otherwise require additional funding.

However, there can be no assurance that the Theme Parks & Attractions business will become profitable in the timeframe currently budgeted by Ardent Leisure (or at all). In particular, there are a number of external factors beyond the control of Ardent Leisure that may impact the successful recovery and future profitability of the Theme Parks & Attractions business.

Specifically, while the Theme Parks & Attractions business has started to recover from the impacts of COVID-19 to date, the future impact of COVID-19 is uncertain and difficult to predict due to factors beyond Ardent Leisure's control. There can be no assurance that there will not be any further outbreaks or new variants of COVID-19 or local, regional or national lockdowns or similar government measures as a result of further outbreaks or new variants, which could negatively impact attendance levels at the Company's theme parks and attractions. In addition, there can be no assurance that in response to such outbreaks or new variants, Ardent Leisure will be entitled to, or be successful in receiving, any government grants or other forms of support like it has before, which could further compound these materially adverse impacts. These impacts may be more severe to Ardent Leisure after the Proposed Transaction due to the Company being less diversified, for example, because if Queensland became subject to a lockdown, all of Ardent Leisure's theme parks and attractions may be closed and this would not be offset by the Main Event centres being able to be open in the United States (see risk below entitled "Reduced Diversification" in section 8.1(c) below).

**(b) Ardent Leisure may require further funding in the future**

While Ardent Leisure expects to retain approximately A\$152.9 million of cash from the Proposed Transaction net proceeds and considers that this is expected to be sufficient for the medium-term, the Theme Parks & Attractions business may require further capital in the future. Future funding may be required if there are new negative effects of COVID-19, a downturn in economic conditions or consumer spending patterns, or in connection with capital expenditure to acquire and develop additional new rides and attractions or further develop existing ones or in connection with a potential development of the surplus land owned by Ardent Leisure at the Dreamworld site.

There can be no assurance that Ardent Leisure will be able to raise sufficient further capital in the future within an acceptable time frame and on terms acceptable to it, and its ability to raise capital will be dependent on a number of internal and external factors, including (without limitation) the results of its operations and broader industry and stock market factors.

Ardent Leisure may also elect to issue Shares to raise further funding. While Ardent Leisure will be subject to the constraints of ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such fundraisings and Shareholders may experience a loss in value of their equity as a result of such issues of shares and fundraisings.

**(c) Reduced diversification**

Following Completion of the Proposed Transaction, Ardent Leisure's remaining business will consist solely of the Theme Parks & Attractions business, with all of its assets being located in Queensland, Australia. As a result, Ardent Leisure's business will be smaller and less diversified and its financial performance will be solely dependent upon the Theme Parks & Attractions business, and an investment in Ardent Leisure will be more susceptible to the risks of the Theme Parks & Attractions business, such as its reliance on the strength of Queensland and Australian tourism that impacts attendance levels at the theme parks and attractions. The performance of the

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<sup>30</sup> Assumes Completion of the Transaction on 30 June 2022.

Theme Parks & Attractions business and the risks associated with that business will no longer be mitigated by the financial performance and condition of the Main Event business following Completion of the Proposed Transaction.

**(d) Litigation and regulatory risk**

Like all similar businesses, Ardent Leisure may be subject to litigation, regulatory action and other claims and disputes in the course of its business, including contractual disputes, workplace health and safety investigations and enforcement or criminal or civil proceedings relating to its operations.

Ardent Leisure is not currently subject to any material litigation other than as a co-respondent to a representative shareholder class action initiated on 18 June 2020 arising from matters relating to safety following the 2016 Dreamworld tragedy. The claim alleges contraventions of the Corporations Act and the Australian Securities and Investments Commission Act 2001 relating to continuous disclosure and misleading and deceptive conduct. The Company has indicated since the action was commenced, and continues to maintain, that it considers the proceedings to be without merit and it is vigorously defending them.

The Company maintains appropriate insurances to respond to litigation and regulatory action and the majority of associated costs. However, there is a risk that such insurance may not be adequate or the insurer may seek to qualify or limit the extent to which the policy responds and therefore in the event of an adverse finding or settlement Ardent Leisure's business, operations and financial performance could be materially adversely impacted including by diverting the retained proceeds of the Proposed Transaction which would otherwise be applied to supporting the Theme Parks & Attractions.

## **8.2 Risks associated with the Proposed Transaction**

### **There is a risk that Completion of the Proposed Transaction may not occur even if Shareholders approve the Proposed Transaction**

Even if Shareholders approve the Proposed Transaction, there is a risk that Completion of the Proposed Transaction may not occur for the following reasons.

Dave & Buster's may fail to consummate the Proposed Transaction even if all conditions to Completion of the Proposed Transaction have been satisfied. If such failure is a result of its financing sources failure to fund the debt financing contemplated by the Merger Agreement in full and/or the full proceeds of the debt financing contemplated by the Merger Agreement not being available to Dave & Buster's on the date that Completion should have occurred, Dave & Buster's will be required to pay a reverse break fee to ALUSH of US\$50 million.

The Proposed Transaction may also not proceed to Completion if any other condition precedent (as summarised in Schedule 1) is not satisfied or waived.

## **8.3 Specific risks associated with Ardent Leisure if the Proposed Transaction does not proceed to Completion**

**(a) Ardent Leisure may cease to be the majority shareholder of ALUSH if the RedBird Stockholder exercises the Option**

As explained in sections 4.2 and 7.3 above, if the Call Option is exercised by the RedBird Stockholder, it will become a 51% majority shareholder of ALUSH which is the holding company of Main Event and Ardent Leisure (through the Ardent Leisure Stockholder) will become a 49% minority shareholder. The Ardent Leisure Stockholder will lose certain rights as the majority shareholder but will retain typical and customary minority protection / consent rights related to the preservation of its interest in ALUSH, for example, having a consent right over the issue of new equity that would rank senior to the equity it holds, and a consent right over certain substantive operational matters, such as the entry into certain material indebtedness or joint ventures. If the Call Option is exercised by the RedBird Stockholder, then the RedBird Stockholder must pay the Exercise Price to the Ardent Leisure Stockholder.



On exercise by RedBird of its Call Option, Ardent Leisure would be treated as having lost control of Main Event under accounting standards and would cease to consolidate the results, assets and liabilities of Main Event from that date. The assets, liabilities and non-controlling interest relating to the equity portion of RedBird's investment in Main Event would be derecognised from the Group's financial statements and the remaining 49% minority investment in Main Event would be recognised as an 'investment in associate' initially at its fair value. The difference between the proceeds received from the Call Option together with the fair value of its remaining 49% investment and the value of net assets derecognised would be recorded as a gain on disposal. Thereafter, assuming that Ardent Leisure retains significant influence over Main Event, it would equity account its investment in Main Event by recording its proportionate share of Main Event's earnings and changes in net assets for each reporting period.

**(b) Ardent Leisure may be dragged into a Drag Along Sale of Main Event that may not be as favourable for Shareholders as the Proposed Transaction**

If the Call Option is exercised, then the RedBird Stockholder will be able to drag the Ardent Leisure Stockholder into a Drag Along Sale and only has to ensure that the Ardent Leisure Stockholder receives for its 49% interest aggregated gross proceeds realised or to be realised from such sale of at least the minimum Return Threshold, which is US\$306.25 million. A Drag Along Sale where the Minimum Threshold is met but not exceeded would be approximately 15%<sup>31</sup> lower than the value of Main Event under the Proposed Transaction. There can therefore be no assurance that a Drag Along Sale would return more proceeds to Ardent Leisure than the Proposed Transaction or that any distribution to Shareholders after a Drag Along Sale would be equal to or higher than the Proposed Distribution.

**(c) Ardent Leisure may lose important consent rights over decisions of ALUSH if Shareholders do not approve a Drag Along Sale**

As a Drag Along Sale will likely require Shareholder approval<sup>32</sup>, there can be no assurance that Shareholders would vote in favour of the Drag Along Sale. If this were to occur, the Ardent Leisure Stockholder would lose significant protections under the Stockholder Agreement. This includes the loss of an equal representation of directors on the ALUSH board and the loss of important consent rights over the decision-making of ALUSH as summarised in section 7.4(b) above.

Under accounting standards, if Ardent Leisure were to lose both the ability to control and significantly influence Main Event, then it would not be able to equity account its remaining investment in Main Event, as set out in section 8.3(a) above. In such circumstances, Ardent Leisure would recognise its remaining equity investment in Main Event at its fair value and would remeasure the fair value at each reporting date, with any changes in fair value being recorded in other comprehensive income.

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## **9 Information about Dave & Buster's**

Founded in 1982 and headquartered in Coppel, Texas, Dave & Buster's Entertainment, Inc., is the owner and operator of 146 high-volume entertainment and dining venues in North America that combine entertainment and dining and offer customers the opportunity to "Eat Drink Play and Watch," all in one location. Dave & Buster's offers a full menu of entrées and appetisers, a complete selection of alcoholic and non-alcoholic beverages, and an extensive assortment of entertainment attractions centred around playing games and watching live sports and other televised events. Dave & Buster's currently has stores in 41 states of the United States, Puerto Rico, and Canada.

Dave & Buster's has developed a distinctive brand based on its customer value proposition: "Eat Drink Play and Watch." The interaction between dining, enjoying a full-service bar, playing games, and

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<sup>31</sup> Based on the implied total enterprise value of Main Event at the Minimum Return Threshold assuming the same level of net debt as expected on Completion of the Proposed Transaction and not including any part of the deferred and contingent consideration as described in footnote 2.

<sup>32</sup> Assuming that the Drag Along Sale of Ardent Leisure's interest in Main Event would at the time of such sale, represent the main undertaking of Ardent Leisure for the purposes of ASX Listing Rule 11.2.

watching sports and other entertainment is the defining feature of the Dave & Buster's customer experience that creates an experience at a single location. Its stores are also designed to accommodate premium sports viewing events, private parties, business functions and other corporate-sponsored events with appeal to a diverse customer base by creating a highly customisable experience in a dynamic and fun setting.

## 10 Independent Expert Report

The Directors determined that it is in the best interests of Shareholders to engage the Independent Expert to prepare the Independent Expert's Report set out in Schedule 2. The Independent Expert's Report provides a determination on whether the Proposed Transaction outlined in Resolution 1 is fair and reasonable to and in the best interests of Shareholders. The Independent Expert Report also contains an assessment of the advantages and disadvantages of the Proposed Transaction, which is designed to assist Shareholders in making an informed decision in relation to Resolution 1 in addition to the recommendation of the Board.

**The Independent Expert has determined that the Proposed Transaction is fair and reasonable to and in the best interest of the Shareholders, in the absence of a superior proposal.**

## 11 Directors' Interests

The Directors do not have any material interest in the outcome of Resolution 1 other than their interests as Shareholders. No Director will receive any payment or benefit of any kind as a consequence of the Proposed Transaction other than from the Proposed Distribution in their capacity as a Shareholder if Shareholders approve the Resolutions.

As at the date of this document, the interest in Shares of the Directors of the Company is set out below:

Director	Number of Shares	Percentage <sup>33</sup>
Dr. Gary Weiss AM	23,172,158 <sup>34</sup>	4.83% <sup>35</sup>
Randy Garfield	55,000	0.01%
David Haslingden	523,980	0.11%
Brad Richmond	820,403	0.17%
Erin Wallace	Nil	N/A

The Ardent Leisure Chairman, Dr. Gary Weiss AM, who has a relevant interest in approximately 4.83% of the outstanding issued Shares has provided a letter of support to Ardent Leisure stating that it is his intention for such Shares (and any other Shares in which he may have a relevant interest at the time of the Meeting) to be voted in favour of any shareholder resolution in connection with the Proposed

<sup>33</sup> Calculated based on the current outstanding share capital as at the date of this document, being 479,706,016 Shares.

<sup>34</sup> Dr. Gary Weiss AM has a relevant interest in approximately 4.83% of outstanding Shares as at the date of this document, including 22,672,158 Shares held by Portfolio Services Pty Ltd (on behalf of Ariadne Australia Ltd as beneficial owner with whom Dr. Gary Weiss AM is associated); and 500,000 Shares held by Bivaru Pty Ltd (as trustee for the South Head Trust) which is an associate of Dr. Gary Weiss AM. Dr. Gary Weiss AM's voting power in Shares as at the date of this document is approximately 9.56%, as in addition to the shares he holds a relevant interest in, he is also associated with Kayaal Pty Ltd (as trustee for the Kayaal Trust) which holds 22,672,159 Shares at the date of this document.

Transaction at the Meeting. This voting intention statement is subject to the Merger Agreement not having been terminated and the Board continuing to unanimously recommend that Shareholders vote in favour of the Proposed Transaction at the Meeting.

The other Directors with interests in Shares propose to vote in favour of Resolution 1, subject to the Independent Expert continuing to conclude that the Proposed Transaction is in the best interests of Shareholders.

The Chairman of the Meeting intends to vote all undirected proxies in favour of each Resolution.

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## **12 Board Recommendation on Resolution 1**

The Board believes that the Proposed Transaction is in the best interest of Shareholders, and unanimously recommends that Shareholders approve the Proposed Transaction by voting in favour of the Resolution 1 and subject to the Independent Expert continuing to conclude that the Proposed Transaction is in the best interests of Shareholders. The Board's recommendation is based on the Board's consideration of:

- the reasons to vote in favour and against the Proposed Transaction as summarised in sections 4 and 5;
- the assessment of the risks summarised in section 8 above, in particular, the risks associated with the Proposed Transaction and if the Proposed Transaction does not proceed to Completion;
- the terms of the Proposed Transaction, including without limitation, the significant and certain cash consideration and level of certainty of execution as compared to the other offers that were received as part of a strategic review undertaken by Ardent Leisure and RedBird, in relation to the future ownership of Main Event before the Merger Agreement was entered into; and
- the Independent Expert's finding that the Proposed Transaction is fair and reasonable to and in the best interests of the Shareholders, in the absence of a superior proposal.

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## Resolution 2 – Approval of the Proposed Capital Return

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### 1 Overview

#### 1.1 Background

In the opinion of the Board, following Completion of the Proposed Transaction, Ardent Leisure is expected to have capital in excess of its funding requirements for the medium-term. Consistent with the Board's strategy to reduce excess capital, while maintaining sufficient cash to intended to support the Company's remaining ongoing operations, the Board intends to distribute a significant proportion of the proceeds from the Proposed Transaction (less certain transaction costs and other amounts) to Shareholders by way of the Proposed Distribution.

#### 1.2 Amount and split of Proposed Distribution between Proposed Special Dividend and Proposed Capital Return

Subject to:

- (a) Resolution 1 being passed;
- (b) Completion of the Proposed Transaction under the Merger Agreement; and
- (c) exercise of the Board's discretion as to the exact quantum of final Proposed Distribution described below,

the Board estimates that the total amount of the Proposed Distribution will be up to A\$455.7 million (95 cents per Share), of which up to A\$255.0 million (53.16 cents per Share) is expected to be distributed as an equal return of capital forming the Proposed Capital Return and the balance of approximately A\$200.7 million (41.84 cents per Share) is expected to be distributed as an unfranked dividend forming the Proposed Special Dividend. However, the exact amount will be determined by the Board having regard to (without limitation):

- the precise amount of cash available to be distributed to Shareholders after Completion of the Proposed Transaction;
- the financial circumstances of the Company following Completion of the Proposed Transaction; and
- the timing of Completion of the Proposed Transaction.

If the Proposed Distribution proceeds, all components of the Proposed Distribution are expected be made to all Shareholders pro rata to the number of Shares which they hold at on the Record Date (expected to be 10:00am on Wednesday 6 June 2022). The Record Date is subject to change and will be confirmed by the Company.

#### 1.3 Shareholder approval and conditions

The Proposed Capital Return will be effected in accordance with sections 256B and 256C of the Corporations Act. The Corporations Act requires the Company to obtain the approval of Shareholders (by ordinary resolution) before making the Capital Reduction. Payment of the Proposed Special Dividend does not require Shareholder approval.

If Shareholders do not approve Resolution 1 (approval of the Proposed Transaction) at the Meeting, then Resolution 2 (approval of the Proposed Capital Return) will not be proposed at the Meeting, the Proposed Transaction will not proceed and neither the Proposed Capital Return nor Proposed Special Dividend will be made. If Shareholders approve Resolution 1 but do not approve Resolution 2 and the Proposed Transaction proceeds to Completion, the Company expects to make the Special Dividend of up to approximately A\$200.7 million and may increase this amount or consider alternative ways to return additional proceeds from the Proposed Transaction to Shareholders, at the Board's discretion.

The Directors reserve the right not to proceed with the Proposed Distribution (or either part of it) at any time before the expected date of the Proposed Distribution, as set out in the timetable in section 2 of Resolution 1 of this Explanatory Statement.

#### **1.4 Payment details**

If the Proposed Distribution proceeds, funds are expected to be distributed via electronic transfer to entitled Shareholders, being registered holders of Shares at the Record Date. Any fraction of a cent payable to any Shareholder in respect of that Shareholder's aggregate holding of Shares will be rounded up to the nearest whole cent.

To ensure you receive your entitlement to the Capital Return, the Special Dividend or any future dividend or distribution promptly, please check and update your banking instructions at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). If the Company's share registry does not have your banking details, any payment will be withheld.

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## **2 Reasons to vote in favour of the Proposed Capital Return**

### **2.1 Shareholders will participate in the proceeds of the Proposed Transaction**

The purpose of the Capital Reduction is to return to Shareholders as much as possible the proceeds from the Proposed Transaction subject to the ongoing requirements of Ardent Leisure's Theme Parks & Attractions business.

The primary advantage in approving the Proposed Capital Return is that it will enable the Company to repatriate capital to its Shareholders, which is in excess of its current and anticipated medium term requirements. Subject to confirmation by the ATO, the Proposed Capital Return represents not only equity capital previously raised by Ardent Leisure for its investment in Main Event, but equity capital also raised and used in relation to businesses that were disposed of by Ardent Leisure during the 2016 to 2018 years. Also, Shareholders participating in the Proposed Capital Return will be able to do so without incurring transaction costs and the Proposed Capital Return will allow Shareholders to retain the same percentage of ownership in the Company.

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## **3 Reasons to vote against the Proposed Capital Return**

### **3.1 Shareholders may be concerned about the reduced capital base of the Company**

A disadvantage of the Proposed Capital Return is that following its implementation, the Company will have a reduced capital base from which to operate and may require additional funding in the future to meet its strategic and corporate objectives, which may otherwise not be the case if the Proposed Capital Return did not proceed. However, the Directors are of the opinion that the net cash reserves post-Proposed Distribution that are expected to be approximately A\$152.9 million will be sufficient for their intended use to support the operations of Ardent Leisure's Theme Parks & Attractions business in the medium term.

### **3.2 Shareholders may be concerned about the potential quantum of the Proposed Distribution**

The precise amount of the Proposed Distribution (and the amounts and split between the Capital Return and the Special Dividend) will be determined following Completion of the Transaction, and with regard to amongst other factors, the cash available to be distributed to Shareholders and the financial circumstances of the Company at that time as well as timing of Completion of the Proposed Transaction. While the Board currently has no reason to consider that Ardent Leisure's financial position will change materially prior to the time of the Proposed Distribution, it is possible that this may occur and the amount of the Proposed Distribution (and either component of it) may increase or decrease accordingly.

### 3.3 The Capital Return may not suit the current financial position of all Shareholders and is subject to an ATO tax ruling that is in process and cannot be assured

The Capital Return may not suit the current financial position of all Shareholders, who may prefer that the Company retain its investment in Main Event rather than proceed with the Proposed Transaction and make the Capital Return (or the Special Dividend).

In addition, the Company has applied to the Commissioner of Taxation ("**Commissioner**") for a class ruling in respect of the income tax treatment of the Proposed Capital Return and Proposed Special Dividend to Shareholders ("**Class Ruling**"). The Class Ruling will provide certainty to Shareholders and will reduce the need for individual Shareholders to seek private rulings. However, as per the usual ATO practice the final Class Ruling will likely only be received from the Commissioner after the payment of the Proposed Distribution to Shareholders. Accordingly, while the Company anticipates that the final Class Ruling will be consistent with the comments made in section 8 of Resolution 2, there is nevertheless a possibility that the views of the Commissioner may differ to the views contained in that summary and that the tax position of individual Shareholders may differ to the summary provided in section 8 of Resolution 2. Further detail regarding the Proposed Distribution can be found in Resolution 2 below.

## 4 Calculation of the Amount of the Proposed Distribution

The Company estimates that the total amount available for the Proposed Distribution will be up to A\$455.7 million of the net proceeds from the Proposed Transaction to Shareholders (approximately 95 cents per Share), of which up to A\$255.0 million will be distributed via the Proposed Capital Return and the balance of approximately A\$200.7 million will be distributed as an unfranked dividend comprising the Proposed Special Dividend.

Subject to no other Shares being issued prior to the Record Date, the Company estimates that the Proposed Distribution will result in an unfranked dividend of approximately 41.84 cents per share and a return of capital of up to 53.16 cents per Share. Unfranked dividends paid to non-residents are exempt from withholding tax to the extent that they are declared as conduit foreign income. Please refer to section 8 of this Resolution 2 below for the Australian tax implications for Shareholders of the Proposed Distribution.

The following table shows how the Company has calculated its estimate of the total amount available for the Proposed Distribution and amounts available to be distributed as a Proposed Special Dividend and Proposed Capital Return.

A\$million	
<b>Cash to Ardent Leisure from Proposed Transaction</b>	<b>670.3<sup>35</sup></b>
Expected repayment of QTC Facility	(49.7)
Expected repayment of ATO Liability	(11.0)
Expected cash to be retained for Theme Parks & Attractions funding	(152.9)
Expected Australian selling costs	(1.0)
<b>Proposed Distribution</b>	<b>455.7</b>
Relevant number of Shares to participate in Proposed Distribution	479,706,016

<sup>35</sup> Assumes completion of the Proposed Transaction by 30 June 2022 and takes into account the foreign exchange hedges in place. This amount excludes the expected US\$8.4 million deferred and contingent consideration as described in footnote 2.

A\$million	
Estimated Total Proposed Distribution per Share	95.00 cents
Estimated Dividend per Share	41.84 cents
Estimated Proposed Capital Return per Share	53.16 cents

## 5 Legal Requirements

### 5.1 Equal Reduction

The Proposed Capital Return constitutes an equal reduction of Ardent Leisure's share capital for the purposes of the Corporations Act. This is because it relates only to ordinary shares, it applies to each holder of ordinary shares in proportion to the number of shares they hold as at the Record Date, and the terms of the reduction are the same for each holder of ordinary shares.

### 5.2 Other Statutory Requirements

#### (a) Fair and reasonable

Section 256B(1)(a) of the Corporations Act provides that a capital reduction must be fair and reasonable to a company's shareholders as a whole.

The Directors are of the opinion that the Proposed Capital Return is fair and reasonable to all Shareholders as it will apply to all Shareholders on the Record Date equally, in proportion to the number of Shares they hold as at that date.

#### (b) Company's ability to pay creditors

Section 256B(1)(b) of the Corporations Act provides that a capital reduction must not materially prejudice a company's ability to pay its creditors.

The Directors, having proposed the capital reduction, are of the opinion that it will not materially prejudice the Company's ability to pay its creditors. The Directors have also satisfied themselves as to the solvency of the Company following the Proposed Capital Return.

Please refer to section 6.4 below for further information regarding the impact of the Proposed Capital Return on Ardent Leisure's ability to pay its creditors.

#### (c) Shareholder approval

Resolution 2 will be passed as an ordinary resolution for the purposes of Section 256C(1) of the Corporations Act if more than 50% of the votes cast by Shareholders present and eligible to vote at the Meeting (whether in person (physically or virtually), by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) are in favour of it.

## 6 Effect on Ardent Leisure

### 6.1 Effect on the Company

The Proposed Capital Return is intended to be paid entirely from the consideration from the Proposed Transaction. Upon receipt of the consideration from the Proposed Transaction, the Company's cash resources will significantly increase for a short period of time between Completion of the Proposed Transaction and payment of the Proposed Distribution.



## **6.2 Effect on Capital Structure and Share Price**

Following implementation of the Proposed Capital Return, the Company's share capital is estimated to reduce by up to A\$255.0 million.

No Shares will be cancelled in connection with the Proposed Capital Return and no fractional entitlements will arise. The Proposed Capital Return will therefore not impact the number of Shares held by each of the Shareholders, nor will it impact any Shareholder's voting power in the Company.

Following implementation of the Proposed Distribution, the Company's Shares are expected to trade at a lower share price than its then trading price immediately prior to the 'ex' date for the Proposed Distribution. This is due to the payment/return of funds to Shareholders.

## **6.3 Effect on historical and pro-forma financial position**

The pro forma consolidated balance sheet of the Company for the half year ended 28 December 2021 is set out in section 6.2(b) and the pro forma consolidated income statement for the half year ended 28 December 2021 is set out in section 6.2(c) and show the effect of the Proposed Transaction and Proposed Distribution on the Company's historical financial position as at the dates of these statements.

## **6.4 Effect on the Company's ability to pay its creditors**

The Company has assessed the impact of the Proposed Distribution on the Company's ability to pay its creditors.

That review concluded that the payment to Shareholders of an amount equal to the Proposed Distribution amount would not materially prejudice the Company's ability to pay its creditors and the Company will have sufficient cash reserves to pay its creditors (including current and reasonably foreseeable claimants) following payment of the Proposed Distribution.

## **6.5 Tax implications for the Company**

No adverse tax consequences are expected to arise for the Company from implementing the Proposed Capital Return.

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# **7 Directors' Interests**

No Director will receive a payment or benefit of any kind, as a result of the Proposed Distribution, other than as a Shareholder of Ardent Leisure.

Refer to section 11 of Resolution 1 of this Explanatory Statement for information about the number of Shares held by each Director that holds Shares as at the date of this Notice of Meeting.

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# **8 Australian Tax Implications For Shareholders**

## **8.1 Introduction**

The following is a general summary of the Australian income tax implications arising for the Shareholders as a result of the Proposed Distribution. It is based upon the Company's interpretation of Australian income tax law currently in force at the date of the issue of this Notice of Meeting and Explanatory Statement. The commentary below is general in nature and not intended to be comprehensive, it does not take into account the individual circumstances of each shareholder and does not constitute tax advice. As this summary is necessarily general in nature, Shareholders should consult with their professional tax adviser regarding their circumstances. Non-resident Shareholders should seek professional tax advice on the tax implications arising outside of Australia.

This tax summary only addresses the Australian income tax consequences for Shareholders who:



- were registered as the holders of the Shares at the Record Date;
- who are individuals, companies and superannuation funds and hold their Shares on capital account for income tax purposes (i.e. not on revenue account or as trading stock);
- have not elected for the Taxation of Financial Arrangements provisions (Division 230 of the *Income Tax Assessment Act 1997* (Cth) (ITAA 1997) to apply in respect of their Shares;
- did not acquire their Shares under any employee share scheme; and
- are not exempt from Australian income tax.

This tax summary does not address any tax consequences arising under the laws of jurisdictions other than Australia. It is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practice as at the date of this Notice of Meeting and Explanatory Statement.

The comments in this Section 8 are generally directed at Shareholders who are Australian residents and non-residents for Australian income tax purposes who do not hold their Shares at or through a permanent establishment in Australia.

## **8.2 Overview of the Proposed Distribution**

### **(a) Proposed Transaction**

Any capital gain (or loss) realised by the Company on the sale of Main Event should be reduced to nil under the CGT participation exemption. This means that any capital gain derived by the Company from the Proposed Transaction should not be subject to Australian income tax.

The Proposed Transaction itself has no Australian tax consequences for Shareholders.

### **(b) Proposed Distribution**

The Board proposes to distribute up to A\$455.7 million of the Company's share of net proceeds from the Proposed Transaction to Shareholders as a combination of:

- the Proposed Capital Return of up to A\$255.0 million (53.16 cents per share); and
- a Proposed Special Dividend of approximately A\$200.7 million (41.84 cents per share) to be declared as conduit foreign income. The Proposed Special Dividend will be unfranked for income tax purposes.

The Company has applied to the Commissioner for a Class Ruling in respect of the income tax treatment of the Proposed Capital Return and Proposed Special Dividend to Shareholders. The Class Ruling will provide certainty to Shareholders and will reduce the need for individual Shareholders to seek private rulings.

The final Class Ruling will likely only be received from the Commissioner after the payment of the Proposed Distribution to Shareholders. The Company anticipates that the final Class Ruling will be consistent with the comments below in sections 8.3 and 8.4. Nevertheless, it remains possible that the views of the Commissioner may differ to the views contained in this summary. Shareholders should review the final Class Ruling, which will be made available publicly on the Company's website, once issued.

No adverse tax consequences are expected to arise for Ardent from the Proposed Capital Return.

## **8.3 Australian residents**

These comments apply to the Shareholders who are residents of Australia for income tax purposes.

**(a) Proposed Capital Return**

For Shareholders on the Record Date who continue to hold their Shares and receive the payment of the Proposed Capital Return:

- If the Proposed Capital Return of up to 53.16 cents per Share is not more than the cost base of the Share, the cost base and reduced cost base of the Share will be reduced (but not below nil) by up to 53.16 cents (being the Proposed Capital Return amount);
- A Shareholder will make a capital gain at the time of the payment if the amount of the Proposed Capital Return is more than the cost base of the Share. The amount of the capital gain is equal to the excess; and
- If a Shareholder makes a capital gain from the Proposed Capital Return, the cost base and reduced cost base of the Share are reduced to nil. A Shareholder cannot make a capital loss from the Proposed Capital Return.

For Shareholders on the Record Date who no longer own Shares at the time of the payment of the Proposed Capital Return, a capital gain arises at the time of payment equal to the Proposed Capital Return amount in respect of each Share owned at the Record Date.

If the Share to which the Proposed Capital Return relates was acquired by a Shareholder at least 12 months before the payment, a capital gain arising may qualify as a discounted capital gain, provided other relevant conditions are satisfied. Any CGT discount will apply after the offset of any current year or carried forward capital losses. The amount of the capital gain remaining after the application of the CGT discount is included in the assessable income of the Shareholder.

**(b) Proposed Special Dividend**

Shareholders on the Record Date will be entitled to the Proposed Special Dividend. The Proposed Special Dividend will be unfranked.

The Proposed Special Dividend will be assessable to Australian resident Shareholders in the year of income in which it is paid.

**8.4 Non-residents**

These comments apply to Shareholders who are not residents of Australia for income tax purposes.

**(a) Proposed Capital Return**

A Shareholder who is not a resident of Australia for Australian tax purposes should be able to disregard any capital gain that would otherwise arise from the Proposed Capital Return unless their Shares constitute 'Taxable Australian Property', as defined for Australian income tax purposes, at the time of payment of the Proposed Capital Return.

Specifically, Taxable Australian Property includes interests held in the Company that satisfy both of the following tests:

- (i) non-portfolio interest test – holdings, on an associate inclusive basis, in the Company of 10% or more at the time of the Proposed Capital Return (or throughout a 12 month period within the period commencing 24 months before the Proposed Capital Return); and
- (ii) principal asset test – where the sum of the market values of the Company's assets that are taxable Australian real property exceeds the sum of the market value of its assets that are not taxable Australian real property.

Any non-resident shareholders who own 10% or more of the shares in the Company (on an associate inclusive basis) should seek independent professional advice in relation to their own

circumstances, including whether any protection will be available under a relevant double tax treaty applied in these circumstances.

Non-resident shareholders should seek independent professional advice in relation to their own circumstances in respect of taxation in the jurisdiction where they are resident.

**(b) Proposed Special Dividend**

The Proposed Special Dividend will be unfranked, declared to be conduit foreign income and declared as such in the relevant distribution statement to be provided by the Company to Shareholders on or before the day that the Proposed Special Dividend is paid. As such, non-resident Shareholders will not be taxed on the Proposed Special Dividend and no Australian dividend withholding tax should be applied to the Proposed Special Dividend.

Non-resident shareholders should seek independent professional advice in relation to their own circumstances in respect of taxation in the jurisdiction where they are resident.

## **8.5 Other Matters**

**(a) Goods and Services Tax (GST)**

GST should not be payable on the Proposed Distribution.

Shareholders may be charged GST on costs they incur in relation to seeking advice on the Proposed Distribution (e.g. tax, legal or other advisory fees). Certain Shareholders that are registered (or required to be registered) for GST may be entitled to claim input tax credits (or reduced input tax credits) in relation to GST incurred on these costs.

Shareholders should seek their own independent tax advice on the impact of GST having regard to their own circumstances.

**(b) Stamp duty**

Shareholders should not be liable for any stamp duty in respect to the Proposed Distribution.

**(c) Tax File Numbers and Australian Business Numbers**

A Shareholder may not have quoted a Tax File Number (“TFN”) when applying or acquiring Shares in the Company. However, if a TFN was not quoted, or no appropriate TFN exemption information was provided, tax is required to be deducted from the Proposed Special Dividend at the highest marginal tax rate plus Medicare levy (currently 47%). Shareholders that hold their Shares as part of their business may have quoted their Australian Business Number instead of their TFN.

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## **9 Board Recommendation**

The Directors are of the opinion that the proposed return of capital is fair and reasonable to all Shareholders and **unanimously recommend** that Shareholders vote in favour of Resolution 2.

Each Director intends to vote all Shares held or controlled by that Director, as shown in the table in section 11 of Resolution 1 of this Explanatory Statement, in favour of the Proposed Capital Return.

The Chairman of the Meeting also intends to vote undirected proxies in favour of Resolution 2.

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## Glossary and Interpretation

**Acceptable Confidentiality Agreement** has the meaning given in clause 8.1 of the Merger Agreement.

**Acquisition Proposal** has the meaning given in clause 8.1 of the Merger Agreement.

**ALUSH** means Ardent Leisure US Holding Inc. (the holding company of the Main Event business).

**ALUSH Acquisition Proposal** has the meaning given in clause 8.1(f) of the Merger Agreement.

**Ardent Leisure or Company** means Ardent Leisure Group Limited (ABN 51 628 881 603).

**Ardent Leisure Stockholder** means Ardent Leisure Limited.

**Ardent Shares** means the fully paid ordinary shares in the Company.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

**ASX Listing Rules** means the listing rules of ASX in force from time to time.

**ATO** means the Australian Taxation Office.

**ATO Liability** means the amount owing to the ATO by Ardent Leisure under a settlement reached with the ATO in September 2019.

**Australian Accounting Standards** means the standards set by the Australian Accounting Standards Board, a Government agency that develops and maintains financial reporting standards applicable to entities in the private and public sectors of the Australian economy.

**Board** means the board of directors of the Company.

**Business Day** (i) means when used other than in Schedule 1 has the meaning given in the Listing Rules; and (ii) when used in Schedule 1, means any day other than a Saturday, Sunday, a US federal holiday or a day on which commercial banks in New York, New York are authorised or required to be closed.

**Call Option** has the meaning given in paragraph 4.2 of Resolution 1 of the Explanatory Statement.

**Chairman** means Dr. Gary Weiss AM.

**Change in Recommendation** means the Board's change of recommendation to Shareholders to vote in favour of the Proposed Transaction set out in Resolution 1, as more fully described in section 8 of the Merger Agreement.

**Class Ruling** means the class ruling which the Company has applied to the Commissioner for in respect of the income tax treatment of the Proposed Capital Return and Proposed Special Dividend to Shareholders.

**Commissioner** means the Commissioner of Taxation.

**Completion** and **Completion** means the consummation of the Proposed Transaction pursuant to the terms and conditions of the Merger Agreement.

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Dave & Buster's** means Dave & Buster's Entertainment, Inc. (NASDAQ: PLAY).

**Director** means a director of the Company.

**Drag Along Sale** has the meaning given in paragraph 7.4 of Resolution 1 of the Explanatory Statement.

**EBITDA** means earnings before interest, taxes, depreciation and amortisation.

**End Date** means 11:59 p.m. (Dallas, Texas time) on 6 January 2023 which may be extended for 90 days if all conditions precedent in the Merger Agreement, other than the No Restraints Condition has not been satisfied by this time.

**Exercise Period** has the meaning given in paragraph 4.2 of Resolution 1 of the Explanatory Statement.

**Exercise Price** has the meaning given in paragraph 4.2 of Resolution 1 of the Explanatory Statement.

**Explanatory Statement** means the explanatory statement accompanying the Resolutions contained in this Notice of Meeting.

**FX Hedge** means the foreign currency hedging arrangements previously disclosed by Ardent Leisure to ASX on 6 May 2022.

**Independent Expert** means Lonergan Edwards & Associates Limited.

**Independent Expert's Report** means the report prepared by the Independent Expert which is contained in Schedule 2 of this document.

**HSR Act** means the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (US), as amended.

**HSR Clearance Condition** means the condition in the Merger Agreement that is satisfied when the waiting period applicable to Dave & Buster's and ALUSH with respect to the Proposed Transaction under the HSR Act expiring or being terminated, such condition having been satisfied on 19 May 2022.

**Listing Rules** means the listing rules of the ASX.

**Main Event** means the Main Event business conducted by ALUSH and its subsidiaries.

**Main Event LTIP** means the Main Event Entertainment, Inc. 2020 Long-Term Incentive Plan established by Main Event Entertainment, Inc. effective as of 21 January 2021.

**Matching Right** means Dave & Buster's right to match or make a superior proposal within five business days of receiving an Acquisition Proposal, as described in Schedule 1.

**Meeting** means the extraordinary general meeting of Shareholders to be held at 3:00pm on Wednesday 29 June 2022.

**Merger Agreement** means the Agreement and Plan of Merger dated 6 April 2022 between Dave & Buster's, Merger Sub, ALUSH, Ardent Leisure, the RedBird Stockholder and the RedBird Obligors, as amended, which is summarised in Schedule 1 of this Document and that was attached to the Company's announcement on 6 April 2022.

**Merger Sub** means Delta Bravo Merger Sub, Inc., a wholly-owned subsidiary of Dave & Buster's.

**Minimum Return Threshold** has the meaning given in section 4.3 of Resolution 1 of the Explanatory Statement.

**Negative Report** means the event in which the Independent Expert concludes in the Independent Expert's Report that the Proposed Transaction is not fair and reasonable to or not in the best interests of Shareholders.

**No Restraints Condition** means the condition in the Merger Agreement that there be no temporary restraining order, preliminary or permanent injunction or other order preventing or otherwise impeding the consummation of the Proposed Transaction (or any other transaction contemplated by the Merger Agreement) having been issued by any court of competent jurisdiction or other governmental authority and no applicable law being enacted or deemed applicable that would make the Proposed Transaction illegal before Completion.

**Notice of Meeting** means the notice of the Meeting and includes the Explanatory Statement (unless the context provides otherwise).

**NPAT** means net profit after tax.

**Online Meeting Guide** means the guide which can be found on the Company's website at [www.ardentleisure.com](http://www.ardentleisure.com) that provides further details on how to participate in the Meeting.

**PBT** means profit before tax.

**Proposed Capital Return** means the proposed equal reduction of capital and return to Shareholders of up to 53.16 cents per Share as more fully described in Resolution 2.

**Proposed Distribution** means together, the Proposed Capital Return and Proposed Special Dividend.

**Proposed Special Dividend** means the proposed unfranked dividend of up to 41.84 cents per Share more fully described in Resolution 2.

**Proposed Transaction** means the sale of Main Event to Dave & Buster's Entertainment, Inc. (NASDAQ: PLAY) for total cash consideration of US\$835 million plus up to US\$14.8 million deferred and contingent consideration as more fully described in the Explanatory Statement.

**Proxy Form** means the proxy form in respect of the Meeting accompanying this Explanatory Statement.

**Purchase Price Adjustments** means adjustments to the consideration for the Proposed Transaction, including net working capital and net debt adjustment mechanisms as set out in the Merger Agreement.

**QTC Facility** means the A\$63.7 million facility provided by the Queensland Treasury Corporation as part of its financial assistance package provided to Ardent Leisure for its Theme Parks & Attractions business as announced to the ASX on 7 August 2020.

**Record Date** means that record date for determining entitlements to participate in the Proposed Capital Return and to be paid the Proposed Special Dividend, which is currently expected to be 10:00am on Wednesday 6 July 2022 and will be confirmed by the Company.

**RedBird** means RedBird Capital Partners, LLC.

**RedBird Obligors** means RB ME Blocker, LLC, RB ME Series 2019 Investor Aggregator LP and RedBird Series 2019 GP Co-Invest, LP.

**RedBird Stockholder** means RB ME LP.

**Related Bodies Corporate** has the meaning given to that term in the Corporations Act.

**Resolutions** means the Shareholder resolutions proposed at the Meeting as summarised in the Notice of Meeting.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of one or more Shares.

**Shareholder Approval of the Proposed Transaction** means Shareholders approving Resolution 1 at the Meeting.

**Stockholder Agreement** means the Stockholders Agreement entered into as of 15 June 2020 by and between, amongst others, ALUSH, the Ardent Stockholder and the RedBird Stockholder.

**Superior Proposal** has the meaning given in the Merger Agreement, as summarised in Schedule 1.

**Theme Parks & Attractions business** means the business comprising Dreamworld, WhiteWater World and SkyPoint.

**Voting Exclusion Statement** means the requirement by ASX Listing Rule 11.2 to disregard any votes cast in favour of the resolution by or on behalf of an excluded person.



## Schedule 1 - Key Terms of the Merger Agreement

<b>Overview</b>	<p>Pursuant to the terms and conditions of the Merger Agreement, if Completion occurs, Merger Sub will be merged with and into ALUSH, with ALUSH continuing as the surviving entity and as an indirect wholly owned subsidiary of Dave &amp; Buster's and ALUSH will cease to be owned by the Ardent Leisure Stockholder or the RedBird Stockholder.</p> <p>Completion of the Proposed Transaction is expected to occur by the third Business Day following satisfaction or waiver of the conditions precedent in the Merger Agreement and must occur before 11:59pm (Dallas, Texas time) on 6 January 2023 (the "<b>End Date</b>"). The End Date may be extended for 90 days if all conditions other than the No Restraints Condition (as defined below) have been satisfied.</p>
<b>Consideration</b>	<p>Dave &amp; Buster's will pay total cash consideration of US\$835m to the Ardent Leisure Stockholder and the RedBird Stockholder under the Proposed Transaction, subject to the adjustments described below.</p> <p>The Proposed Transaction is being conducted on a cash free and debt free basis and is subject to adjustments if amongst other things the working capital at Completion exceeds the estimate of working capital at the date of the Merger Agreement. Adjustments will also be made for certain capital expenditures spent before Completion on new units, certain transaction costs and payments pursuant to the Main Event LTIP.</p> <p>Dave &amp; Buster's is also required to pay to Ardent Leisure and RedBird a portion of future tax benefits (including any net operating loss carry-forwards with respect to certain assets) realised by Dave &amp; Buster's in respect of prior tax periods ending on or before 31 December 2028 in respect of the Main Event business. Ardent Leisure expects the amount it will receive to be up to US\$8.4 million.<sup>36</sup></p>
<b>Conditions precedent</b>	<p>The obligations of Dave &amp; Buster's and Merger Sub under the Merger Agreement to effect Completion of the Transaction is conditional on the satisfaction (or waiver by Dave &amp; Buster's) of several conditions at or prior to Completion, including:</p> <ul style="list-style-type: none"> <li>(a) the accuracy of representations and warranties given by ALUSH, Ardent Leisure, RedBird and the RedBird Obligors in the Merger Agreement;</li> <li>(b) the performance of covenants and obligations by ALUSH, Ardent Leisure and the RedBird Stockholder in all material respects as required prior to the Completion of the Proposed Transaction under the Merger Agreement;</li> <li>(c) the waiting period applicable to Dave &amp; Buster's and ALUSH with respect to the Proposed Transaction under the HSR Act expiring or being terminated (the "<b>HSR Clearance Condition</b>");</li> <li>(d) there not having occurred any material adverse effect of Main Event;</li> <li>(e) Dave &amp; Buster's having received certain customary deliverables at Completion;</li> <li>(f) no temporary restraining order, preliminary or permanent injunction or other order preventing or otherwise impeding the consummation of the Proposed Transaction having been issued by any court of competent jurisdiction or other governmental authority and no applicable law being</li> </ul>

<sup>36</sup> This reflects the expected payment to Ardent Leisure of its portion of future tax benefits. See footnote 2 for further information.

	<p>enacted or deemed applicable that would make the Proposed Transaction illegal ("<b>No Restraints Condition</b>")"; and</p> <p>(g) Shareholder Approval of the Proposed Transaction.</p> <p>The obligations of ALUSH under the Merger Agreement to effect Completion of the Transaction is conditional on the satisfaction (or waiver by ALUSH) of several conditions at or prior to Completion, including:</p> <p>(a) the accuracy of representations and warranties given by Dave &amp; Buster's, in the Merger Agreement;</p> <p>(b) the performance of covenants and obligations by Dave &amp; Buster's in all material respects as required prior to the Completion of the Proposed Transaction under the Merger Agreement;</p> <p>(c) the HSR Clearance Condition;</p> <p>(d) Shareholder Approval of the Proposed Transaction;</p> <p>(e) the No Restraints Condition;</p> <p>(f) there not having occurred any material adverse effect of Dave &amp; Buster's; and</p> <p>(g) Dave &amp; Buster's having received certain customary deliverables at Completion.</p>
<b>Exclusivity Provisions</b>	<p><b>No-shop, no-talk, and no-due diligence</b></p> <p>Until Completion (or termination of the Merger Agreement), Ardent Leisure, RedBird, ALUSH and their respective subsidiaries and representatives must not:</p> <ul style="list-style-type: none"> <li>• initiate or solicit any proposal or offer that would reasonably be expected to lead to an Acquisition Proposal;</li> <li>• engage in any negotiations or discussions with third parties or provide access to confidential information to any third party that would reasonably be expected to lead to an Acquisition Proposal or in response to an Acquisition Proposal;</li> <li>• approve, endorse or recommend an Acquisition Proposal;</li> <li>• accept or enter into any agreement or understanding for an Acquisition Proposal; or</li> <li>• resolve, or propose or agree, or authorise or permit any of their representatives to do any of the foregoing.</li> </ul> <p>For the purposes of the above restrictions and the Merger Agreement, an "Acquisition Proposal" means a proposal or offer from a third party to acquire (1) ALUSH or (2) Ardent Leisure including by the following:</p> <ul style="list-style-type: none"> <li>• any direct or indirect acquisition or purchase of a business that constitutes more than 15% of the revenues or assets of either ALUSH and its subsidiaries or Ardent and its subsidiaries, in each case taken as a whole;</li> </ul>

	<ul style="list-style-type: none"> <li>• any direct or indirect acquisition more than 15% of the consolidated assets of ALUSH and its subsidiaries or Ardent and its subsidiaries, in each case taken as a whole;</li> <li>• an acquisition of beneficial ownership, or the right to acquire beneficial ownership of, or a relevant interest (as defined in the Corporations Act) in, more than 15% of the shares of Ardent Leisure or ALUSH;</li> <li>• any merger, reorganisation, consolidation, share exchange, business combination, recapitalisation, liquidation, dual-listed company structure (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, recapitalisation, refinancing, dissolution or similar transaction involving Ardent Leisure and its subsidiaries or ALUSH and its subsidiaries, that results in the acquisition by such third party of more than 15% of the revenues or assets of Ardent Leisure and its subsidiaries or ALUSH and its subsidiaries, in each case taken as a whole;</li> <li>• any issuance or sale or other disposition (including by way of merger, reorganisation, division, consolidation, share exchange, business combination, recapitalisation or other similar transaction) of more than 15% of the shares of Ardent Leisure or ALUSH; or</li> <li>• acquiring control of Ardent Leisure (within the meaning of section 50AA of the Corporations Act); or</li> <li>• any combination of any of the foregoing.</li> </ul> <p><b>Fiduciary Exception</b></p> <p>Each of the restrictions above shall not prevent Ardent Leisure before the receipt of Shareholder Approval for the Transaction from contacting and engaging in any negotiations or discussions with any third party who has made (and not withdrawn) a bona fide written Acquisition Proposal and providing due diligence access to such persons (on terms no more favourable to those granted to Dave &amp; Buster's) provided that the Board:</p> <ul style="list-style-type: none"> <li>(a) determines in good faith and, after receiving written advice from its outside legal counsel and financial advisor(s), that such Acquisition Proposal constitutes or could reasonably be expected to constitute or result in a Superior Proposal (as defined below);</li> <li>(b) determines in good faith, after receiving written advice from its outside legal counsel, that the failure to engage in negotiations or discussions or provide due diligence access constitutes, or could reasonably be likely to be, a breach of its statutory or fiduciary duties under applicable Australian law; and</li> <li>(c) has received from the third party so requesting such information an executed confidentiality agreement in an agreed form that is no less favourable to the third party than to Dave &amp; Buster's.</li> </ul> <p>A “<b>Superior Proposal</b>” means an Acquisition Proposal that the Board determines in good faith, and in order to satisfy what the Board considers to be their directors’ statutory or fiduciary duties (after having obtained written advice from its outside legal counsel and financial advisor(s)) and which is reasonably likely to be consummated in accordance with its terms and would, if consummated substantially in accordance with its terms, result in a transaction that is more favorable to the shareholders of Ardent Leisure as a whole (solely in their capacity as such) compared to the Proposed Transaction after taking into account all factors and matters deemed relevant in good faith by Board, as</p>
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	<p>applicable, (including, legal, regulatory, financial (including the financing terms of any such proposal), the form of consideration, timing or other aspects of such Acquisition Proposal (including the identity, reputation and financial condition of the third party making such proposal), market conditions, and the timing of and conditions to closing), together with the nature and identity of the proponent of the Acquisition Proposal)). For the purposes of considering if an Acquisition Proposal is a Superior Proposal, the references to “15%” in the applicable definition of Acquisition Proposal are deemed to be references to “100%” or, in the context of any transaction structured as an asset sale, “all or substantially all”).</p>
<p><b>Board Recommendation and Change of Recommendation</b></p>	<p>The Board has agreed to recommend that Shareholders vote in favour of the Proposed Transaction and subject to the Independent Expert concluding that the Proposed Transaction is fair and reasonable to and in the best interest of Shareholders in the absence of a superior proposal, which it has done in its report included in Schedule 2.</p> <p>Under the Merger Agreement, the Board may change its recommendation if at any time before receipt of Shareholder Approval, if:</p> <ul style="list-style-type: none"> <li>(a) the Independent Expert provides a report that concludes that the Proposed Transaction is not fair and reasonable to or not in the best interests of Shareholders (a “<b>Negative Report</b>”), provided that it has first notified Dave &amp; Buster’s and Dave &amp; Buster’s has not within 5 business days adjusted its offer such that the Independent Expert changes its report to no longer be a Negative Report; or</li> <li>(b) the Board determines in good faith, after receiving written advice from its outside financial advisor(s) and outside legal counsel, that an Acquisition Proposal constitutes a Superior Proposal and the failure to make a change in recommendation constitutes, or could reasonably be likely to be, a breach of its statutory or fiduciary duties under applicable Australian Law, provided the Matching Right (defined below) has been followed before the change of recommendation occurs.</li> </ul>
<p><b>Notification and Matching Right</b></p>	<p>If the Board receives an Acquisition Proposal, then before it can change its recommendation or terminate the Merger Agreement, Ardent Leisure must:</p> <ul style="list-style-type: none"> <li>• determine in good faith, after receiving written advice from its outside financial advisor(s) and outside legal counsel that (i) such Acquisition Proposal constitutes a Superior Proposal; and (ii) the failure to make a change in recommendation constitutes, or could reasonably be likely to be, a breach of the Ardent Leisure directors’ statutory or fiduciary duties under applicable Australian Law;</li> <li>• provide Dave &amp; Buster’s with the material terms and conditions of the Acquisition Proposal and where the Acquisition Proposal relates to ALUSH (and not Ardent Leisure), Ardent Leisure must provide an unredacted copy of such Acquisition Proposal, including the most current version of any proposed definitive agreement and any related documents (including financing documents) to the extent provided by the relevant party in connection such Acquisition Proposal; and</li> <li>• give Dave &amp; Buster’s five business days to match or make a superior proposal (“<b>Matching Right</b>”). The Matching Right applies to each Acquisition Proposal including any material variation or material amendment to each Acquisition Proposal (provided that the matching period with respect to such material variations or material amendments shall be three business days).</li> </ul>

	<p>The Board must also reaffirm after the period of the Matching Right that in its good faith determination (1) after receiving written advice from its outside legal counsel and outside financial advisor(s) that such Acquisition Proposal continues to constitute a Superior Proposal after taking into account the adjustments to the terms and conditions of the Merger Agreement committed to by Parent in a binding written agreement and (2) after receiving written advice from its outside legal counsel, that the failure to make a change in recommendation constitutes, or could reasonably be likely to be, a breach of its statutory or fiduciary duties under applicable Australian law.</p>
<b>Termination</b>	<p>The Merger Agreement can be terminated prior to the Completion:</p> <ul style="list-style-type: none"> <li>(a) by mutual consent of Dave &amp; Buster's and ALUSH;</li> <li>(b) by Dave &amp; Buster's or ALUSH if Completion hasn't occurred before the End Date;</li> <li>(c) by Dave &amp; Buster's or ALUSH, if a court of competent jurisdiction in the United States or other applicable government authority issues an order or takes an action, or there is an applicable law enacted that in each case, has the effect of prohibiting the Proposed Transaction or making it illegal to consummate the Proposed Transaction;</li> <li>(d) by Dave &amp; Buster's if certain representations and warranties given by ALUSH, Ardent Leisure, RedBird or the RedBird Obligor are inaccurate or there is a material unremedied breach of a covenant by such parties;</li> <li>(e) by ALUSH if certain representations and warranties given by Dave &amp; Buster's are inaccurate or there is a material unremedied breach of a covenant by Dave &amp; Buster's;</li> <li>(f) by Dave &amp; Buster's if the Board changes its recommendation;</li> <li>(g) by Ardent Leisure if the Board changes its recommendation due to a Negative Report;</li> <li>(h) by Ardent Leisure if the Board changes its recommendation in order to accept and enter into a Superior Proposal;</li> <li>(i) by Dave &amp; Buster's, ALUSH, Ardent Leisure or RedBird if Shareholder Approval is not received at the Meeting; or</li> <li>(j) by ALUSH if after the conditions are satisfied (or waived), Dave &amp; Buster's fails to complete the Proposed Transaction within two Business Days.</li> </ul>
<b>Break Fees</b>	<p>If the Merger Agreement is validly terminated by Dave &amp; Buster or Ardent Leisure for a Change of Recommendation, the following fees will be payable to Dave &amp; Buster's:</p> <ul style="list-style-type: none"> <li>• US\$8.35 million will be payable to Dave &amp; Buster's by ALUSH; and</li> <li>• US\$8.35 million will be payable to Dave &amp; Buster's by the RedBird Obligor.</li> </ul> <p>The above fees shall also be payable if the Merger Agreement is validly terminated by the relevant party due to Shareholder Approval not being received at the Meeting or Completion not taking place before the End Date if, prior to the Shareholder Approval, an alternative Acquisition Proposal with respect to ALUSH shall have been publicly announced, publicly known or publicly communicated and within 12 months after termination, the Ardent Leisure</p>

	<p>Stockholder and the RedBird Stockholder and RedBird enter into a definitive agreement providing for the consummation of an ALUSH Acquisition Proposal or an ALUSH Acquisition Proposal is consummated. An ALUSH Acquisition Proposal for these purposes (and for the purpose of the upside sharing arrangement described below) means an acquisition of “50.1% or more” rather than “more than 15%” as used in the definition of Acquisition Proposal above.</p> <p>In addition to the above payments, if the Merger Agreement is terminated:</p> <ul style="list-style-type: none"> <li>• in the circumstances described in (b) or (i) in the summary of the termination above, where at or prior to the Meeting there shall have been (A) publicly made directly to Ardent Leisure or its Shareholders, generally, or (B) otherwise become publicly announced, publicly known or publicly communicated, an offer or proposal for a transaction that would constitute a Company Acquisition Proposal, whether or not conditional, which shall not have been withdrawn on or prior to the Meeting; or</li> <li>• In the circumstances described in (g) or (h) in the summary of the termination above,</li> </ul> <p>then pursuant to the terms of a support agreement between Dave &amp; Buster’s, the RedBird Stockholders and the RedBird Obligor, the RedBird Obligor shall pay 50% of the increase in consideration received by RedBird under the relevant Company Acquisition Proposal above the Proposed Transaction, subject to certain adjustments.</p>
<b>Reverse Break Fee</b>	<p>If the Merger Agreement is terminated by ALUSH or Dave &amp; Buster’s due to Completion having not occurred before the End Date (as may be extended by 90 days if the HSR Clearance Condition has not been satisfied) as a result of failure to satisfy conditions relating to U.S. antitrust clearance, Dave &amp; Buster’s is required to pay ALUSH a termination fee of US\$16.7 million.</p> <p>If the Merger Agreement is terminated by ALUSH where all conditions to Completion have been satisfied and Dave &amp; Buster’s fails to consummate the Proposed Transaction, and such failure is a result of the Financing Sources failure to fund the Debt Financing contemplated by the Merger Agreement in full and/or the full proceeds of the Debt Financing contemplated by the Merger Agreement are not available to Dave &amp; Buster’s on the date that Completion should have occurred, Dave &amp; Buster’s is required to pay ALUSH a termination fee of US\$50 million.</p>
<b>Restrictive Covenants and Support Agreement</b>	<p>Ardent Leisure and the Ardent Leisure Stockholder have entered into a restrictive covenant agreement with Dave &amp; Buster’s under which Ardent Leisure and the Ardent Leisure Stockholder have each agreed:</p> <ul style="list-style-type: none"> <li>• for 18 months from the Completion date, not (and to cause their affiliates to not) directly or indirectly solicit, recruit or knowingly induce (or attempt to do any of the foregoing) certain key persons of Main Event to terminate their employment with ALUSH; and</li> <li>• for three years from the Completion date, not to disclose certain confidential information about ALUSH or Main Event,</li> </ul> <p>in each case, except pursuant to customary exceptions.</p> <p>Ardent Leisure, the Ardent Leisure Stockholder and Dave &amp; Buster’s have also entered into a support agreement pursuant to which Ardent Leisure and Ardent Leisure Limited have agreed to take certain customary actions, including not to</p>

	transfer shares in ALUSH or vote such shares in a way that is contrary to the implementation of the Proposed Transaction without Dave & Buster's consent.
<b>Representations and Warranties</b>	<p>Ardent Leisure and ALUSH has agreed to a package of customary representations and warranties that reflect a transaction of this nature.</p> <p>Certain of the representations and warranties given by Ardent Leisure and ALUSH relate to amongst other things, the organisation, authority, and ownership of Ardent Leisure and ALUSH and in respect to the business of Main Event that is the subject of the Proposed Transaction. Dave &amp; Buster's may only recover for breaches of representation and warranties that constitute actual fraud.</p> <p>ALUSH has also agreed to conduct the Main Event business in the ordinary course pending completion subject to customary restrictions.</p>



## **Schedule 2 - Independent Expert Report**

The Directors  
Ardent Leisure Group Limited  
Suite 601, Level 6, 83 Mount Street  
North Sydney NSW 2060

30 May 2022

**Subject: Proposed sale of Main Event**

Dear Directors

**Introduction**

- 1 On 6 April 2022, Ardent Leisure Group Limited (Ardent Leisure or the Company) announced that it and RedBird Capital Partners (RedBird Capital)<sup>1</sup> had entered into a binding agreement (Merger Agreement) with Dave & Buster's Entertainment Inc. (Dave & Buster's) for the sale of 100% of Main Event Entertainment Inc. (Main Event)<sup>2</sup>, on a cash and debt free basis for cash consideration of US\$835 million (Cash Consideration)<sup>3</sup> plus deferred and contingent cash consideration of up to US\$14.8 million (Contingent Consideration)<sup>4</sup> (together, the Proposed Consideration) (Proposed Transaction).
- 2 If the Proposed Transaction completes, the Cash Consideration will be used to repay the debt in Main Event, meet the obligations owing to Main Event management under the Main Event Long Term Incentive Plan (Main Event LTIP) and pay transaction costs. The residual proceeds will be distributed to Main Event's shareholders (including Ardent Leisure) in accordance with the terms of Main Event's Stockholders' Agreement (and any other agreements that exist).

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<sup>1</sup> Via its affiliated fund, RB ME LP (RedBird Stockholder). For the remainder of this report, we collectively refer to RedBird Capital and the RedBird Stockholder as "RedBird".

<sup>2</sup> Technically, the proposal involves the sale Main Event's parent entity, Ardent Leisure US Holdings Inc. (ALUSH).

<sup>3</sup> Subject to purchase price adjustments on closing.

<sup>4</sup> A potential contingent payment to Main Event shareholders of future tax benefits (including tax benefits associated with certain carry forward net operating losses) that may be realised by Dave & Buster's in respect of the Main Event business in tax periods ending on or before 31 December 2028.

**Authorised Representatives:**

Wayne Lonerган • Craig Edwards\* • Hung Chu • Martin Hall • Martin Holt\* • Grant Kepler\* • Julie Planinic\* • Nathan Toscan • Jorge Resende

- 3 Ardent Leisure expects to receive approximately US\$487 million (at least A\$664.5 million<sup>5</sup>) in cash proceeds for its 72.6% interest<sup>6</sup> in Main Event<sup>7</sup>. This reflects Ardent Leisure's share of the residual Cash Consideration from the Proposed Transaction having regard to its equity interest in Main Event and an agreement with RedBird in relation to the sharing of proceeds in respect of the portion of Ardent Leisure's holding in Main Event over which RedBird has an unexercised call option. Ardent Leisure's estimated share of the maximum Contingent Consideration is some US\$8.4 million.
- 4 Following completion of the Proposed Transaction, Ardent Leisure intends to distribute approximately A\$455.7 million<sup>8</sup> (A\$0.95 per share<sup>9</sup>) of its share of the residual Cash Consideration to Ardent Leisure shareholders in the form of a return of capital (Capital Return) and the payment of a special unfranked dividend (Special Dividend) (together, the Proposed Distribution). The remaining amounts will be used by Ardent Leisure to repay all outstanding debt<sup>10</sup>, pay its transaction costs and fund the ongoing recovery, growth and development of its sole remaining business, the Theme Parks & Attractions business (consisting of Dreamworld, WhiteWater World and SkyPoint).
- 5 The Proposed Transaction is subject to Ardent Leisure shareholder approval (by way of an ordinary resolution<sup>11</sup> at an extraordinary general meeting) as well as a number of other conditions precedent (as summarised in Section I of our report). The Capital Return (element of the Proposed Distribution) is also subject to Ardent Leisure shareholder approval (by way of an ordinary resolution<sup>12</sup> at an extraordinary general meeting).

## **Ardent Leisure**

- 6 Ardent Leisure is an Australian Securities Exchange (ASX) listed leisure and entertainment group that owns and operates leisure and family entertainment assets in Australia and the United States of America (US). The Company operates through two business divisions, Main Event and Theme Parks & Attractions:

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- 5 This exceeds the previously announced A\$640 million as the Company has entered into foreign exchange hedges since announcing the Proposed Transaction on 6 April 2022. The hedging arrangements ensure that, subject to purchase price adjustments on closing, no less than this amount is received, however, it could be more depending upon the timing of completion (as the hedging arrangements are time sensitive). If the Proposed Transaction completes in accordance with the currently assumed timeline, the Company expects to receive A\$670.3 million. See section 6.2 of Resolution One of the Notice of Meeting and Explanatory Statement for more information.
  - 6 Ardent Leisure's current equity interest in Main Event after taking into account RedBird's semi-annual distributions on preferred equity that were taken in the form of equity interests in Main Event. RedBird has agreed to suspend its semi-annual distributions on its preferred equity until completion of the Proposed Transaction.
  - 7 Subject to purchase price adjustments on closing, Ardent Leisure, RedBird and Main Event management are expected to receive approximately US\$487 million, US\$187 million and US\$62.5 million respectively.
  - 8 Actual proceeds received and available to be returned to Ardent Leisure shareholders will be determined by the Board following completion and will, in part, depend upon the final quantum of the proceeds received by Ardent Leisure following the purchase price adjustments.
  - 9 Assumes 479.7 million ordinary shares are on issue.
  - 10 Including the loan from the Queensland Treasury Corporation (QTC Facility) and the deferred settlement payable to the Australian Taxation Office (ATO) (ATO Liability).
  - 11 This resolution is Resolution One in the Notice of Meeting and Explanatory Statement and needs only a simple majority (i.e. more than 50% of votes cast in favour) to pass.
  - 12 This resolution is Resolution Two in the Notice of Meeting and Explanatory Statement and needs only a simple majority (i.e. more than 50% of votes cast in favour) to pass.

- (a) **Main Event** – headquartered in Texas, operates 51 family entertainment centres in 17 states across the US offering multiple entertainment options under one roof including state-of-the-art bowling, laser tag, arcade games, virtual reality, billiards, karaoke, mini golf and other activities, as well as full menu and bar offerings
- (b) **Theme Parks & Attractions** – comprises Ardent Leisure’s Australian based leisure assets including the Dreamworld and WhiteWater World theme parks and the SkyPoint attractions, each of which are located in the Gold Coast, Queensland.

## **RedBird**

- 7 RedBird Capital was formed in 2014 and is a private investment firm focused on building high-growth companies alongside entrepreneurs in its four areas of domain expertise: sports, media, consumer and financial service. RedBird Capital today manages over US\$6 billion of capital on behalf of blue-chip global and family office investors.
- 8 RedBird acquired a 24.2% (preferred equity) interest in Main Event in June 2020 for consideration of US\$80 million. RedBird’s interest has subsequently increased to some 27.0%<sup>13</sup> and it has a call option to further increase this to a maximum 51% controlling interest (Call Option). RedBird’s Call Option was exercisable by RedBird at any time between 30 June 2022 and 1 July 2024, however, in connection with the Proposed Transaction, RedBird has agreed not to exercise the Call Option for so long as the Merger Agreement remains in effect<sup>14</sup>. The exercise price of the Call Option is based on 9.0 times normalised last 12 months (LTM) pro-forma earnings before interest, tax depreciation and amortisation (EBITDA), less net debt and other adjustments (and is subject to a minimum option equity value of US\$251 million)<sup>15</sup>.

## **Dave & Buster’s**

- 9 Dave & Buster’s was founded in 1982 and is a NASDAQ stock exchange listed company, headquartered in Dallas, Texas. The company is the owner of 145 venues in North America (40 states in the US, Puerto Rico and Canada) that have combined restaurant and entertainment offerings. Entertainment attractions include arcade games, billiards, bowling, virtual reality and televised live sports and other events.

## **Purpose of report**

- 10 Pursuant to the ASX Listing Rules, the Proposed Transaction is considered to be a disposal by Ardent Leisure of its “main undertaking” and as a consequence, the Proposed Transaction requires the approval of Ardent Leisure shareholders before it can proceed.
- 11 While there is no legislative or regulatory requirement for Ardent Leisure to obtain an independent expert’s report (IER) in connection with the Proposed Transaction, the Notice of Meeting and Explanatory Statement (sent to shareholders for the purposes of approving the Proposed Transaction) must nonetheless include such material as will fully and fairly inform

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<sup>13</sup> As a result of RedBird’s semi-annual distributions on its preferred equity being taken in the form of additional equity interests, rather than cash.

<sup>14</sup> Provided that the time for exercising the Call Option will be extended beyond the original deadline of 1 July 2024 if the Merger Agreement is terminated, by one-half of the total number of days during which the Merger Agreement remains in effect and has not been terminated.

<sup>15</sup> The multiple would reduce to 8.0 times if it were not possible for Main Event to obtain certain change of control consents from its debt provider, or complete a debt refinancing on no less favourable terms.

securityholders of the matters to be considered at the meeting and enable them to make a properly informed judgment on those matters.

- 12 In addition, the Ardent Leisure Board's recommendation of the Proposed Transaction remains subject to no Superior Proposal<sup>16</sup> emerging for Main Event or Ardent Leisure and an independent expert concluding (and continuing to conclude) that the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Leisure shareholders.<sup>17</sup>
- 13 Accordingly, for reasons of good governance and to provide Ardent Leisure shareholders with information to assist them consider the merits, or otherwise of the Proposed Transaction<sup>18</sup>, the Directors of Ardent Leisure have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in our opinion, the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Leisure shareholders, together with the reasons for that opinion.
- 14 For the avoidance of doubt, we have not been engaged to express an opinion on the Capital Return, nor do we express an opinion on the Capital Return.
- 15 LEA is independent of Ardent Leisure, RedBird and Dave & Buster's and has no other involvement or interest in the Proposed Transaction.

## Summary of opinion

- 16 In our opinion, the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Leisure shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

## Assessment of "fairness"

- 17 As set out in Section VI, we have assessed the enterprise value of Main Event (i.e. on a cash and debt free basis) at between US\$800 million and US\$900 million.
- 18 If the Proposed Transaction is approved and implemented, Dave & Buster's will acquire Main Event, on a cash and debt free basis, for the following forms of consideration (together, the Proposed Consideration):
  - (a) **Cash Consideration** – of US\$835 million, subject to purchase price adjustments. In that regard we note that the Cash Consideration is subject to adjustment for the amount, if any, by which the Closing Working Capital varies from the target working capital (Working Capital Peg). We do not consider it necessary to incorporate any valuation adjustment for the Working Capital Peg because, in our view, the target is reasonable relative to Main Event's average working capital over the LTM

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<sup>16</sup> As defined in the Merger Agreement. See Schedule One ("Exclusivity Provisions") of the Notice of Meeting and Explanatory Statement for more details.

<sup>17</sup> Any change to the Ardent Leisure Board's recommendation must comply with the procedures outlined in the Merger Agreement. See Schedule One ("Board Recommendation and Change of Recommendation") of the Explanatory Statement for more details.

<sup>18</sup> Ardent Leisure remains responsible for determining the information required to be included in the Notice of Meeting seeking Ardent Leisure shareholder approval under ASX Listing Rule 11.2, taking account of the ASX's guidance within Guidance Note 12.

(b) **Contingent Consideration** – deferred and contingent cash consideration of up to US\$14.8 million. This reflects a potential contingent payment to Main Event shareholders of future tax benefits (including tax benefits associated with certain carry forward net operating losses) that may be realised by Dave & Buster’s in respect of the Main Event business in tax periods ending on or before 31 December 2028. These future tax benefits are inherently uncertain and there is no guarantee that any, or all, will be realised and that payment will be received.

- 19 As the Contingent Consideration is inherently uncertain (and could be nil), for the purposes of this report we have (conservatively) assessed “fairness” by reference to the value of the Cash Consideration only (i.e. US\$835 million).
- 20 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111), if the value of the consideration offered for an asset is equal to, or greater than the value of the asset that is the subject of the offer, then the offer is considered “fair”. The comparison between the Cash Consideration and our assessed value of Main Event (on a cash and debt free basis) is shown below:

<b>Comparison of Cash Consideration with value of Main Event (on a cash and debt free basis)</b>			
	<b>Low</b>	<b>High</b>	<b>Mid-point</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Cash Consideration	835	835	835
Value of Main Event (on a cash and debt free basis)	800	900	850
Extent to which the Cash Consideration exceeds (or is less than) the value of Main Event	35	(65)	(15)

- 21 Given that the Cash Consideration lies within our assessed valuation range for Main Event (on a cash and debt free basis), in our opinion, the Proposed Transaction is “fair” when assessed based upon the guidelines set out in RG 111 (even before considering any additional potential value that may be realised by Main Event shareholders in respect of the uncertain Contingent Consideration).
- 22 While our assessment is based upon a theoretical valuation of Main Event, we also note that the Proposed Transaction is an outcome of a competitive sale process conducted in respect of Main Event<sup>19</sup>. The process resulted in the receipt of several offers. The Proposed Transaction was considered the superior proposal based upon a consideration of a number of factors including value, type of consideration offered (i.e. cash) and certainty. Accordingly, in our view, the Proposed Consideration must, by definition, fall within a range of fair values.
- 23 The Cash Consideration will be used to repay the debt in Main Event, meet the obligations owing to Main Event management under the Main Event LTIP and pay transaction costs. The residual Cash Consideration (and any Contingent Consideration) will be distributed to Main Event’s shareholders (including Ardent Leisure) in accordance with the terms of Main Event’s Stockholders’ Agreement (and any other agreements that exist). It therefore follows that the share of the net proceeds to be received by Ardent Leisure for its interest in Main Event must also be “fair” when based upon the guidelines set out in RG 111.

<sup>19</sup> The details of which are set out within Section 4.6 of Resolution One of the Notice of Meeting and Explanatory Statement.



### **Assessment of “reasonableness” and “in the best interests”**

- 24 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Proposed Transaction is also “reasonable”.
- 25 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a control transaction that is proposed to be undertaken by way of a scheme of arrangement is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company.
- 26 In our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders. This is because, if the consideration payable pursuant to a transaction is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 27 We therefore consider that the Proposed Transaction is also “in the best interests” of Ardent Leisure shareholders in the absence of a superior proposal.

### **Assessment of the Proposed Transaction**

- 28 We summarise below the likely advantages and disadvantages for Ardent Leisure shareholders if the Proposed Transaction proceeds.

#### **Advantages**

- 29 In our opinion, the Proposed Transaction has the following benefits for Ardent Leisure shareholders:
- (a) our assessed value of the Cash Consideration of US\$835 million lies within our assessed valuation range for Main Event (on a cash and debt free basis)<sup>20</sup>. We also note that the Proposed Transaction is an outcome of a competitive sale process conducted in respect of Main Event<sup>21</sup>, which resulted in the receipt of several offers. In our view, the Proposed Consideration must, by definition, fall within a range of fair values. Accordingly, in our opinion, Main Event shareholders (including Ardent Leisure) are being paid an appropriate price to compensate them for the fact that control of Main Event will pass to Dave & Buster’s if the Proposed Transaction is approved<sup>22</sup>
  - (b) the Proposed Transaction provides Ardent Leisure shareholders with cash certainty (in USD)<sup>23</sup> and removes future risk associated with Ardent Leisure’s ongoing ownership of Main Event, including the risks pertaining to RedBird’s future actions and the potential

<sup>20</sup> Even before considering any additional potential value that may be realised by Main Event shareholders in respect of the uncertain Contingent Consideration.

<sup>21</sup> The details of which are set out within Section 4.6 of Resolution One of the Notice of Meeting and Explanatory Statement.

<sup>22</sup> The Proposed Consideration will be distributed to Main Event’s shareholders (including Ardent Leisure) in accordance with the terms of Main Event’s Stockholders’ Agreement (and any other agreements that exist). It therefore follows that the share of the net proceeds to be received by Ardent Leisure for its interest in Main Event must also be “fair” when based upon the guidelines set out in RG 111.

<sup>23</sup> Subject to purchase price adjustments. It should be noted that hedging arrangements have been put in place by the Company to ensure that, subject to purchase price adjustments, no less than A\$664.5 million is realised. If the Proposed Transaction completes in accordance with the currently assumed timeline, the Company expects to receive A\$670.3 million.



value implications thereof<sup>24</sup>, the risk inherent in the Main Event business (including ongoing strategy execution risk) as well as other general risk factors<sup>25</sup>

- (c) Ardent Leisure will be debt free and have approximately A\$153 million in cash to support fund the ongoing recovery, growth and development of the Theme Parks & Attractions business. In the absence of the Proposed Transaction, Ardent Leisure would be required to raise additional capital from other sources (that are potentially less favourable than the Proposed Transaction<sup>26</sup>) to repay debt and support the Theme Parks & Attractions business.

## Disadvantages

- 30 Ardent Leisure shareholders should note that if the Proposed Transaction is implemented, Ardent Leisure shareholders will no longer hold an (indirect economic) interest in Main Event. Ardent Leisure shareholders will therefore not participate in any future value created by Main Event over and above that reflected in the consideration to be received by Ardent Leisure for its interest. However, we note that:
- (a) as our assessed value of Main Event is consistent with the Proposed Consideration, in our opinion, the present value of Main Event's future potential is reflected in the consideration offered (even before considering any additional potential value that may be realised by Main Event shareholders in respect of the uncertain Contingent Consideration)
  - (b) Ardent Leisure's level of continued exposure to Main Event remains subject to RedBird's Call Option (which, if exercised, will reduce the Company's interest in Main Event) and the possibility of being "dragged" into an eventual sale by RedBird at a price which could potentially be lower than under the Proposed Transaction
  - (c) those Ardent Leisure shareholders that do seek to maintain an exposure to Main Event will have the opportunity to do so (albeit on a reduced basis) by reinvesting the after-tax proceeds received from the Proposed Distribution in Dave & Buster's shares.
- 31 Although Ardent Leisure shares will remain listed on the ASX, the Company's market capitalisation is expected to materially reduce (as a consequence of the Proposed Distribution). This, coupled with the decreased size and scope of operations, may result in reduced analyst coverage and lower the profile of the Company, particularly with institutional investors, and hence decrease the liquidity of Ardent Leisure shares compared to that currently experienced by Ardent Leisure shareholders. Under these circumstances, the ability for Ardent Leisure shareholders to sell their shares at a price that is representative of underlying value may diminish.

<sup>24</sup> e.g. the exercise by RedBird of its Call Option and the resultant loss by Ardent Leisure of certain majority shareholder rights in Main Event.

<sup>25</sup> e.g. uncertainties surrounding the ongoing impact of COVID-19 and future adverse impacts of a decline in consumer discretionary spending in the US arising from increasing inflation and/or increasing interest rates and/or a decline in consumer confidence.

<sup>26</sup> Such as a potentially dilutive capital raising. The RedBird Call Option exercise proceeds may (depending on timing) also provide an alternative source of funds (albeit Ardent Leisure cannot force RedBird to exercise its option).

## **Conclusion**

- 32 Given the above analysis, we consider the advantages of the Proposed Transaction to outweigh the disadvantages. Consequently, in our view, the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Leisure shareholders in the absence of a superior proposal.

## **Other considerations relevant to Ardent Leisure shareholders**

- 33 The following matters are raised for the information of Ardent Leisure shareholders and should not affect their decision as to whether to approve the Proposed Transaction.
- 34 Ardent Leisure's financial position and ability to support the recovery, growth and development of the (presently loss making) Theme Parks & Attractions business will be materially enhanced if the Proposed Transaction proceeds. That said, there remains a relatively high risk that in providing that support, the significant cash balance retained in the business (some A\$153 million) will be eroded over time without any corresponding return on investment being realised. Ardent Leisure shareholders should also note that an investment in Ardent Leisure will be more susceptible to the risks of the Theme Parks & Attractions business (as a result of the loss of the diversification benefits provided by Main Event). This type of investment may not be suitable for all Ardent Leisure shareholders. Any decision to continue to hold Ardent Leisure shares beyond the immediate to short term (post approval of the Proposed Transaction<sup>27</sup>) is a separate investment decision and should be made by Ardent Leisure shareholders having regard to their individual risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If required, Ardent Leisure shareholders should seek independent professional advice specific to their individual circumstances.

## **General**

- 35 In preparing this report we have considered the interests of Ardent Leisure shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 36 Ardent Leisure shareholders should read Section 6.3 of Resolution One and Section 8 of Resolution Two of the Notice of Meeting and Explanatory Statement to understand the tax impacts of the Proposed Transaction and Proposed Distribution and consult their own professional advisers if in doubt as to the taxation consequences of the Proposed Transaction and Proposed Distribution.
- 37 The ultimate decision whether to approve the Proposed Transaction should be based on each Ardent Leisure shareholder's assessment of their own circumstances. If Ardent Leisure shareholders are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

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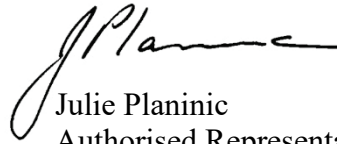
<sup>27</sup> At which time the full value of the Proposed Transaction should be reflected in the share price. As noted in paragraph 232, the market may currently be reflecting a discount for uncertainty of the Proposed Transaction completing.

38 For our full opinion on the Proposed Transaction and the reasoning behind our opinion, we recommend that Ardent Leisure shareholders read the remainder of our report.

Yours faithfully



Nathan Toscan  
Authorised Representative



Julie Planinic  
Authorised Representative

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## **I Key terms and conditions of the Proposed Transaction**

### **Terms**

- 39 An overview and key terms of the Proposed Transaction is set out at paragraphs 1 to 5. A further detailed description of the key terms of the Proposed Transaction are set out in the Notice of Meeting and Explanatory Statement.

### **Conditions**

- 40 The Proposed Transaction is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Merger Agreement between, amongst others, Ardent Leisure, RedBird and Dave & Buster's dated 6 April 2022:
- (a) Ardent Leisure shareholder approval of the Proposed Transaction by the requisite majority at an Extraordinary General Meeting under ASX Listing Rule 11.2
  - (b) approval of the Proposed Transaction under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (HSR Act) in the United States of America (US) (Antitrust Approval). On 19 May 2022, Ardent Leisure announced that Antitrust Approval had been obtained
  - (c) no "Material Adverse Effect" (as defined in Exhibit A of the Merger Agreement) occurs or continues in respect of Dave & Buster's or Main Event.
- 41 In addition Ardent Leisure has agreed to "no shop", "no talk" and "no due diligence" obligations customary for a transaction of this nature, subject to customary fiduciary carve-outs.<sup>28</sup>
- 42 A termination payment of US\$16.7 million is payable by Main Event and the RedBird Obligor<sup>29</sup> (split equally) to Dave & Buster's in certain circumstances. In addition, the RedBird Obligor is required to pay Dave & Buster's 50% of the increase in consideration received by RedBird under a relevant Company Acquisition Proposal<sup>30</sup> above the Proposed Transaction, subject to certain adjustments. These payments are specified in Section 11.4 of the Merger Agreement.<sup>31</sup>
- 43 A reverse termination payment of US\$50 million is payable by Dave & Buster's to Main Event in circumstances where completion of the Proposed Transaction does not occur before the end date<sup>32</sup> as a result of Dave & Buster's failures to secure funding to complete the Proposed Transaction. This payment is specified in Section 11.5 of the Merger Agreement.<sup>33</sup>

<sup>28</sup> See Schedule One ("Exclusivity Provisions") of the Notice of Meeting and Explanatory Statement for more details.

<sup>29</sup> RB ME Blocker, LLC, RB ME Series 2019 Investor Aggregator LP and RedBird Series 2019 GP Co-Invest, LP which are parties to the Merger Agreement.

<sup>30</sup> As defined in the Merger Agreement.

<sup>31</sup> See Schedule One ("Break Fees") of the Notice of Meeting and Explanatory Statement for more details.

<sup>32</sup> 11:59 p.m. (Dallas, Texas time) on 6 January 2023 which may be extended for 90 days if all conditions other than the HSR Approval Condition and the No Restraints Condition (as defined in the Notice of Meeting and Explanatory Statement) have been satisfied.

<sup>33</sup> See Schedule One ("Reverse Break Fees") of the Notice of Meeting and Explanatory Statement for more details.

## II Scope of our report

### Purpose

- 44 ASX Listing Rule 11.2 provides that where a ASX listed company proposes to make a significant change to the nature or scale of its activities which involves the disposal of its “main undertaking”, it must first obtain the approval of its shareholders by way of an ordinary resolution<sup>34</sup> at a general meeting<sup>35</sup>.
- 45 For the purposes of ASX Listing Rule 11.2, the ASX generally applies a 50% “rule of thumb” in assessing whether a business constitutes the “main undertaking” of a listed entity<sup>36</sup>. We understand that the Proposed Transaction will exceed the ASX’s “rule of thumb” thresholds (on one or more of the measures) and therefore be subject to the requirements of ASX Listing Rule 11.2.
- 46 Although the ASX Listing Rules do not require an IER to be included with the Notice of Meeting and Explanatory Statement (sent to shareholders for the purposes of approving a sale of a “main undertaking”), the meeting materials must nonetheless include such material as will fully and fairly inform securityholders of the matters to be considered at the meeting and enable them to make a properly informed judgment on those matters.
- 47 In addition, the Ardent Leisure Board’s recommendation of the Proposed Transaction remains subject to no Superior Proposal<sup>37</sup> emerging for Main Event or Ardent Leisure and an independent expert concluding (and continuing to conclude) that the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Leisure shareholders.<sup>38</sup>
- 48 Accordingly, for reasons of good governance and to provide Ardent Leisure shareholders with information to assist them in considering the merits, or otherwise, of the Proposed Transaction<sup>39</sup>, the Directors of Ardent Leisure have requested that LEA prepare an IER stating whether, in our opinion, the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Leisure shareholders, together with the reasons for that opinion.
- 49 This report has been prepared by LEA for the benefit of Ardent Leisure shareholders to assist them in considering the resolution to approve the Proposed Transaction. The sole purpose of

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34 Needs only a simple majority (i.e. more than 50% of votes cast in favour) to pass.

35 Per ASX Listing Rules Guidance Note 12, the policy objective underlying ASX Listing Rule 11.2 is that a disposal by a listed entity of its “main undertaking” is such a transformative transaction, and results in such a major change to the nature of the securityholders’ investment in the entity, that in all cases it is appropriate for securityholders to have to approve it.

36 Per ASX Listing Rules Guidance Note 12, if the business accounts for more than 50% of the listed entity’s total consolidated assets, consolidated annual revenue, consolidated EBITDA and consolidated annual profit before tax then the ASX considers this to be reasonably compelling evidence that the business is its main undertaking. If a business accounts for more than 50% of some but not all of the four measures, then the ASX will examine the situation more closely to determine whether the business should be regarded as the entity’s main undertaking.

37 As defined in the Merger Agreement. See Schedule One (“Exclusivity Provisions”) of the Notice of Meeting and Explanatory Statement for more details.

38 Any change to the Ardent Leisure Board’s recommendation must comply with the procedures outlined in the Merger Agreement. See Schedule One (“Board Recommendation and Change of Recommendation”) of the Explanatory Statement for more details.

39 Ardent Leisure remains responsible for determining the information required to be included in the Notice of Meeting seeking Ardent Leisure shareholder approval under ASX Listing Rule 11.2, taking account of the ASX’s guidance within Guidance Note 12.



our report is to determine whether, in our opinion, the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Leisure shareholders. For the avoidance of doubt, we have not been engaged to express an opinion on the Capital Return, nor do we express an opinion on the Capital Return.

- 50 The ultimate decision whether to approve the Proposed Transaction should be based on each Ardent Leisure shareholder's assessment of their own circumstances. If Ardent Leisure shareholders are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

## Basis of assessment

- 51 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111 as well as the ASX Listing Rules.
- 52 RG 111 does not specifically prescribe the form of assessment an expert should adopt in relation to an asset sale between unrelated parties (such as the Proposed Transaction). However, it does provide guidance in relation to the content of IERs prepared for a range of other relevant (and informative) transactions, which we outline below.
- 53 Where an IER is prepared for a transaction involving the disposal of an asset to a "related party" or a "person of influence"<sup>40</sup>, RG 111 requires the expert to express an opinion on whether the transaction is "fair and reasonable" from the perspective of the non-associated members of the company (i.e. those members that are not associated with the related party or person of influence). The expert's evaluation of the transaction must be based upon a separate assessment of "fairness" and "reasonableness" and should not be assessed simply by reference to the advantages and disadvantages of the transaction (as ASIC does not consider this to provide members with sufficient valuation information).
- 54 Pursuant to RG 111, a transaction involving the sale of an asset to a related party / person of influence is:
- (a) "fair" if the value of the consideration offered by the related party / person of influence is equal to, or greater than the value of the asset which is the subject of the offer. Importantly, the value of the asset that is the subject of the offer is to be determined based upon market value principles (i.e. assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length, noting that any special value that may be derived by a particular "bidder" should not be taken into account<sup>41</sup>)
  - (b) "reasonable" if it is "fair". It might also be "reasonable" if, despite being "not fair", the expert believes there are sufficient reasons for securityholders to vote in favour of the proposal.

<sup>40</sup> As defined within the *Corporations Act 2001* (Cth) (Corporations Act) and the ASX Listing Rules respectively.

<sup>41</sup> e.g. synergies that are not available to other bidders.

- 55 Where an IER is prepared for a change of control transaction concerning an Australian public company<sup>42</sup> (be it by way of a takeover bid under Chapter 6 of the Corporations Act, or a proposed scheme of arrangement under Part 5.1 of the Corporations Act), RG 111 requires the expert to provide an opinion on whether the transaction is “fair” and “reasonable” to the shareholders of the target company. RG 111 distinguishes “fair” from “reasonable” and considers:
- (a) the transaction to be “fair” if the value of the consideration is equal to or greater than the value of the securities that are the subject of the offer. This comparison must be made assuming 100% ownership of the target company
  - (b) the transaction to be “reasonable” if it is fair. The transaction may also be “reasonable” if, despite not being “fair”, the expert believes there are sufficient reasons for shareholders to accept / approve the offer in the absence of a superior proposal.
- 56 Having regard to the above, in our opinion, the most appropriate basis upon which to evaluate whether the Proposed Transaction is “fair and reasonable” to Ardent Leisure shareholders is to consider:

**Fair**

- (a) the market value of Main Event (on a cash and debt free basis)
- (b) the value of the Proposed Consideration that has been offered by Dave & Buster’s for Main Event (on a cash and debt free basis)
- (c) the extent to which (a) and (b) differ in order to assess whether the Proposed Transaction is “fair”<sup>43</sup>

**Reasonable**

- (d) the certainty that the Proposed Transaction will provide with respect to Ardent Leisure’s interest in Main Event
- (e) the impact of the Proposed Transaction on Ardent Leisure’s financial performance and position
- (f) the implications of becoming a smaller Theme Parks & Attractions focused business
- (g) the listed market price of the shares in Ardent Leisure, both prior to and subsequent to the announcement of the Proposed Transaction
- (h) the likelihood of an alternative superior proposal
- (i) the implications for Ardent Leisure if the Proposed Transaction is not implemented
- (j) the other qualitative and strategic issues associated with the Proposed Transaction

<sup>42</sup> Control transactions in Australia most commonly involve a bidder acquiring all (or at least a majority) of the voting securities in the target, and the target becoming a subsidiary of the bidder.

<sup>43</sup> If the residual Cash Consideration and Contingent Consideration is to be distributed to Main Event’s shareholders (including Ardent Leisure) in accordance with the terms of Main Event’s Stockholders’ Agreement (and any other agreements that exist), then it follows that if the Proposed Transaction is fair, the share of the net proceeds to be received by Ardent Leisure for its interest in Main Event must also be fair.

(k) the overall advantages and disadvantages of the Proposed Transaction from the perspective of Ardent Leisure shareholders.

- 57 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a change of control transaction that is proposed to be undertaken by way of a scheme of arrangement is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company. Similarly, RG 111 notes that if an expert concludes that a scheme is “not fair and not reasonable”, then the expert would need to conclude that the scheme is “not in the best interests” of members of the company.
- 58 LEA has assessed whether the Proposed Transaction is “in the best interests” of Ardent Leisure shareholders on a basis that is consistent with RG 111’s approach described immediately above for a scheme of arrangement.

### **Limitations and reliance on information**

- 59 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 60 Our report is also based upon financial and other information provided by Ardent Leisure and its advisers on its behalf. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 61 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transaction from the perspective of Ardent Leisure shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 62 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Proposed Transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could lead to the formation of a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 63 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

- 64 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 65 In forming our opinion, we have also assumed that:
- (a) the information set out in the Notice of Meeting and Explanatory Statement is complete, accurate and fairly presented in all material respects
  - (b) if the Proposed Transaction becomes legally effective, it will be implemented in accordance with the terms set out in this report.

### III Profile of Ardent Leisure

#### Overview

- 66 Ardent Leisure is an ASX listed leisure and entertainment group that owns and operates leisure and family entertainment assets in Australia and the US. The Company operates through two business divisions, Main Event and Theme Parks & Attractions:
- (a) **Main Event** – headquartered in Texas, operates 51 family entertainment centres in 17 states across the US offering multiple entertainment options under one roof including state-of-the-art bowling, laser tag, arcade games, virtual reality, billiards, karaoke, mini golf and other activities, as well as full menu and bar offerings
  - (b) **Theme Parks & Attractions** – comprises Ardent Leisure’s Australian based leisure assets including the Dreamworld and WhiteWater World theme parks and the SkyPoint attractions, each of which are located in the Gold Coast, Queensland.

#### History

- 67 A brief summary of the key historical developments of Ardent Leisure prior to mid-2018<sup>44</sup> follows:

Ardent Leisure – history	
Date	Key development
1998	<ul style="list-style-type: none"> <li>Listed on the ASX under the former name Leisurewide Property Trust</li> <li>Acquired Dreamworld theme park in Queensland</li> </ul>
1999	<ul style="list-style-type: none"> <li>Changed company name to Macquarie Leisure Trust</li> </ul>
2000	<ul style="list-style-type: none"> <li>Acquired the leading marina operator in New South Wales, d’Albora Marinas</li> </ul>
2003	<ul style="list-style-type: none"> <li>Restructure undertaken to internalise the operator of the Company’s assets (Omni Leisure Operations Limited). A new company, Macquarie Leisure Operations Limited, was formed and stapled to Macquarie Leisure Trust, trading on the ASX as a stapled security named the Macquarie Leisure Trust Group</li> </ul>
2004	<ul style="list-style-type: none"> <li>Addition of marinas in Sydney and Melbourne to its existing portfolio</li> </ul>
2005	<ul style="list-style-type: none"> <li>Acquisition of AMF Bowling Centres in Australia and BowlAustralia Holdings Pty Ltd</li> </ul>
2006	<ul style="list-style-type: none"> <li>Main Event business and Kingpin bowling business acquired in August 2006</li> <li>WhiteWater World opened in December 2006</li> </ul>
2007	<ul style="list-style-type: none"> <li>Goodlife Health Clubs businesses acquired</li> </ul>
2009	<ul style="list-style-type: none"> <li>Internalisation of management occurred where Macquarie Leisure Operations Limited acquired 100% of the equity in Macquarie Leisure Management Limited, the responsible entity of Ardent Leisure Trust. The combined group was renamed Ardent Leisure Group</li> <li>Acquisition of SkyPoint Observation Deck (formerly Q Deck)</li> </ul>
2012	<ul style="list-style-type: none"> <li>Acquisition of Fenix Fitness Clubs</li> </ul>
2014	<ul style="list-style-type: none"> <li>Acquisition of Fitness First portfolio in Western Australia</li> </ul>
2016	<ul style="list-style-type: none"> <li>Sale of Health Clubs division</li> </ul>
2017	<ul style="list-style-type: none"> <li>Sale of d’Albora Marinas business</li> </ul>
2018	<ul style="list-style-type: none"> <li>Bowling and Entertainment division sold</li> </ul>

- 68 Following the sale of the Health Clubs business in October 2016, the sale of the Marinas business in August 2017 and the sale of the Bowling & Entertainment division in April 2018,

<sup>44</sup> Being the period prior to the corporate restructure of Ardent Leisure, as outlined in paragraph 69 below.

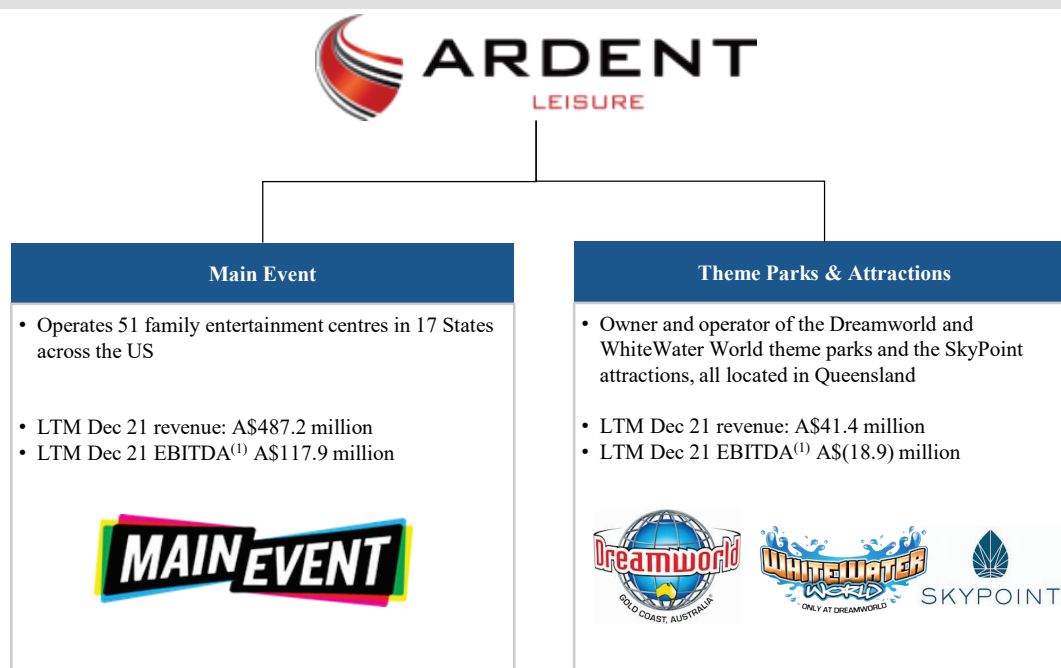
Ardent Leisure's operations have focused on its Main Event and Theme Parks & Attractions businesses.

- 69 On 3 October 2018, Ardent Leisure Limited and Ardent Leisure Management Limited in its capacity as responsible entity of the Ardent Leisure Trust (together, Ardent Leisure Group<sup>45</sup>) announced a proposal for the corporatisation and restructure of the Ardent Leisure Group which would involve a new company called Ardent Leisure Group Limited becoming the single head entity of the Ardent Leisure Group in place of the then stapled structure (Restructure Proposal).
- 70 On 20 November 2018, the Group's securityholders approved, amongst other things, the corporatisation and Restructure Proposal. On 24 December 2018, Ardent Leisure announced that the Restructure Proposal had been implemented, and Ardent Leisure had issued 479.7 million ordinary shares<sup>46</sup>. Trading in Ardent Leisure Group Limited shares commenced on the ASX on 27 December 2018<sup>47</sup>.

## Current operations

- 71 Ardent Leisure operates through two business divisions, Main Event and Theme Parks & Attractions, which are supported by the Company's corporate division. A diagrammatic overview of Ardent Leisure's operations is set out below:

### Ardent Leisure – current operations



**Note:**

1 EBITDA excluding Specific Items for the last 12 months to 28 December 2021 (LTM Dec 21).

<sup>45</sup> Ardent Leisure Group traded on the ASX under the ticker AAD.

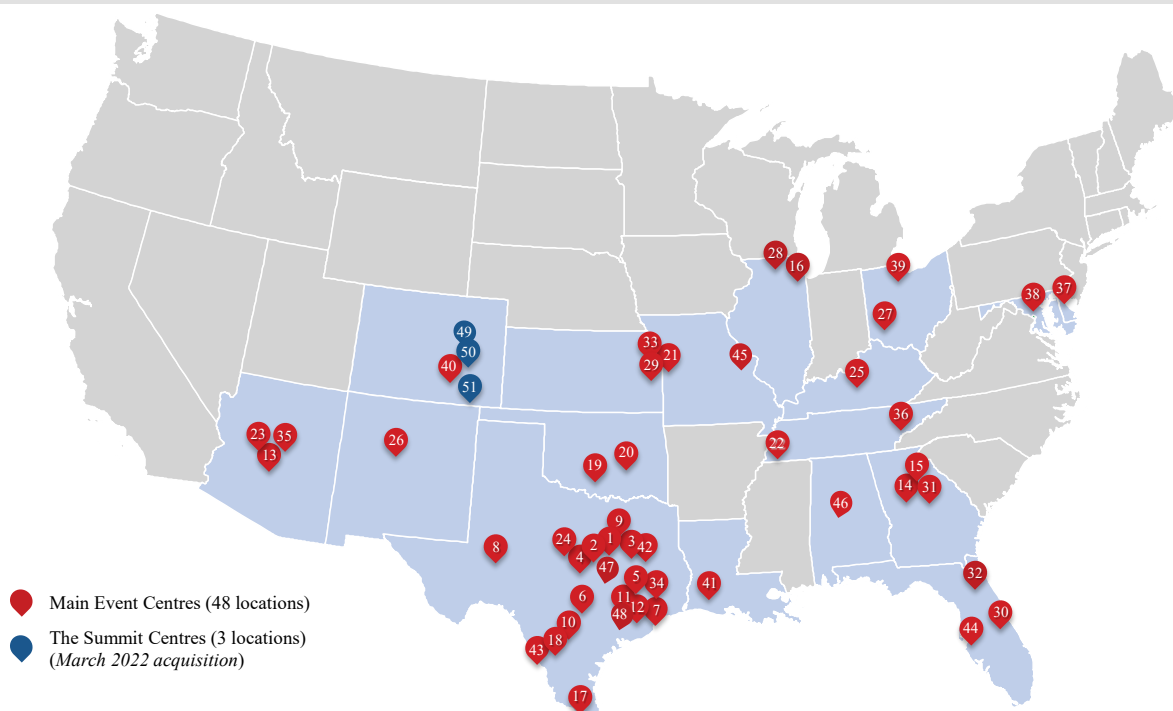
<sup>46</sup> Equivalent to the number of stapled securities on issue on the last day of trading under the former structure.

<sup>47</sup> Ardent Leisure trades on the ASX under the ticker ALG.

## Main Event

- 72 Main Event is a family entertainment centre brand in the US that offers multiple entertainment options under one roof including state-of-the-art bowling, laser tag, arcade games, virtual reality, billiards, karaoke, mini golf and other activities, as well as full menu and bar offerings.
- 73 Main Event was founded in 1998, when the first Main Event centre was opened in Lewisville, Texas. Since then, the Main Event business has significantly grown and currently operates a network of 51 centres in 17 states across the US<sup>48</sup>:

### Main Event – Centre locations



Source: Ardent Leisure / Main Event.

- 74 Approximately 40% of Main Event’s centres (some 20 centres) are located throughout Texas and its surrounding states, but also span across various other states in the US.
- 75 New centre development is a strategic priority for achieving growth in the Main Event business, with the business targeting six to eight new centre openings during FY23, with a further eight to 10 new centre openings targeted per annum for FY24 and beyond.
- 76 Some of the more recent centre additions to Main Event’s network include:
- (a) new centres in Chesterfield, Huntsville, Waco and Tomball which opened in September 2021, February 2022, March 2022 and April 2022 respectively

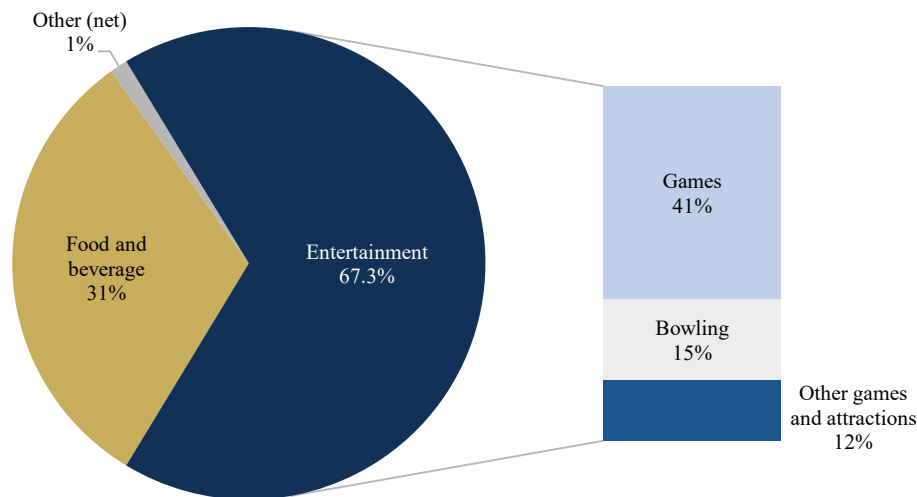
<sup>48</sup> Includes three stand-alone family entertainment centres in the Denver / Colorado Springs region which operated under the “Summit” brand and were acquired by Main Event on 3 March 2022. It is intended that these centres be rebranded as “Main Event” centres.



- (b) on 3 March 2022, Main Event completed the acquisition of three stand-alone family entertainment centres in the Denver / Colorado Springs region which operated under the “Summit” brand. It is intended that these centres be rebranded as “Main Event” centres.

- 77 In addition to the above, it should be noted that the Pittsburgh and Indianapolis Main Event centres were permanently closed in FY20 (Pittsburgh in January 2020 and Indianapolis in June 2020).
- 78 The average size of a Main Event family entertainment centre is over 50,000 square feet, and includes video games, bowling, laser tag and other entertainment offerings in addition to food and beverages (including alcohol). A summary of the average revenue breakdown for Main Event’s centres during LTM Dec 21 is set out below:

**Main Event – average centre revenue breakdown (LTM Dec 21)**



Source: Ardent Leisure / Main Event.

### Key customers and suppliers

- 79 Along with walk-in traffic, Main Event has historically generated over 20% of its revenue from corporate, group and birthday party customers (noting corporate customers currently remain significantly below pre COVID-19 levels).
- 80 Some of Main Event’s key business partners include entertainment suppliers (bowling, video games, etc.), technology and software companies, real estate development firms, and food and beverage suppliers and distributors.

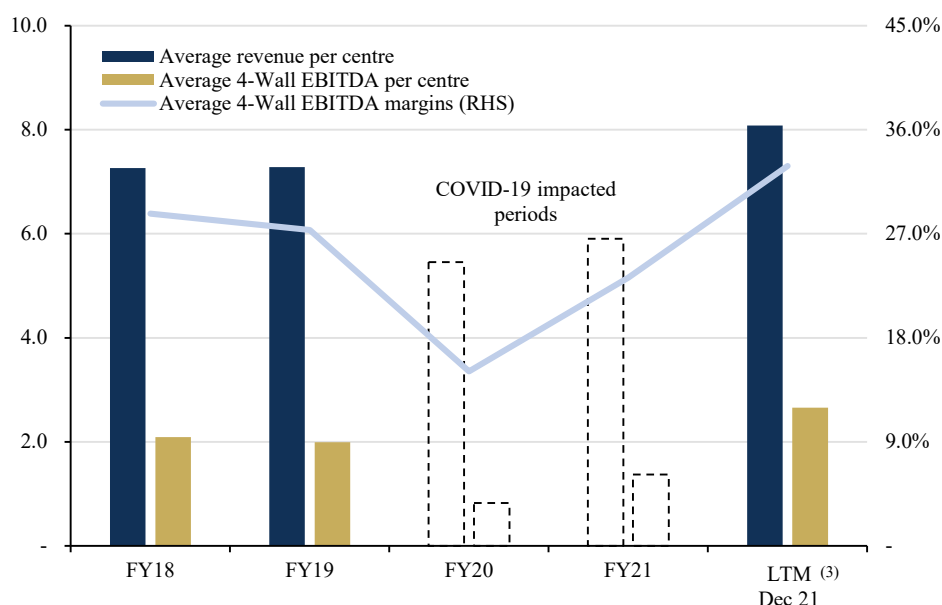
### Recent centre performance

- 81 Set out below is a summary of the recent average Main Event centre performance for FY18 to FY21 in addition to LTM Dec 21:



**Main Event average centre revenue and 4-Wall EBITDA<sup>(1)(2)</sup>**

**US\$m**



**Note:**

- 1 Average revenue and 4-Wall EBITDA reflects the average of Main Event's 40 Constant Centres which have operated since the start of FY19 with the exception of FY18 which reflects the average of the 35 Main Event centres which operated throughout the entire FY18 period.
- 2 4-Wall EBITDA represents the individual centre contribution before district and other support overhead costs.
- 3 Based upon unaudited management accounts.

**Source:** Ardent Leisure / Main Event.

82 In respect of the above, we note that:

- (a) the Main Event business has a relatively high level of operating leverage, reflected in the movement in 4-Wall EBITDA margins over the periods set out above, with higher revenues resulting in higher 4-Wall EBITDA margins (and vice versa)
- (b) the financial performance of Main Event Centre's in FY20 and FY21 was significantly impacted by the COVID-19 pandemic, noting in particular:
  - (i) Main Event made the decision to temporarily close all of its centres nationwide beginning 17 March 2020
  - (ii) although Main Event centres began gradually reopening in May 2020 following the initial COVID-19 pandemic outbreak, as at 1 July 2020, only 38 out of the 44 existing Main Event centres were open and operational
  - (iii) the second wave of COVID-19 in the US resulted in five Main Event centres being re-closed in November and December 2020
  - (iv) all existing Main Event centres were open and operational by the end of June 2021 (albeit the subsequent emergence of the Omicron variant in December 2021 and January 2022 impacted centre performance during these months)
- (c) in addition, the FY21 and LTM Dec 21 results were negatively impacted by:
  - (i) an unprecedented winter storm event in February 2021, which closed or reduced the operating hours of several Main Event centres in Texas

- (ii) continued subdued corporate / group customer trading
- (iii) the timing of a number of public holidays which fell on a weekend, rather than weekday<sup>49</sup>.

83 Notwithstanding the above, centre revenue and financial performance in LTM Dec 21 is significantly ahead of pre-COVID-19 levels, driven primarily by strong walk-in performance.

## **Main Event equity issues and incentive plans**

### ***RedBird transaction***

- 84 On 15 June 2020, RedBird acquired a 24.2% (preferred equity<sup>50</sup>) interest in Main Event for consideration of US\$80 million. The capital injection was used to enhance the financial flexibility of Main Event and position the business for future growth.
- 85 RedBird's preferred equity entitles it to a 10.0% per annum coupon on its US\$80 million investment. The coupon is not paid in cash but accumulates and compounds semi-annually. RedBird is also entitled to participate in common stock dividends and the residual net assets of Main Event in the event of its liquidation. As at the date of our report, RedBird had an interest in 27.0% of Main Event. This has increased from its initial interest of 24.2% as a result of its semi-annual distributions on preferred equity that were taken in the form of equity interests (rather than cash).<sup>51</sup>
- 86 In conjunction with the initial investment, RedBird was granted an option to increase its equity interest to a maximum 51% controlling interest. RedBird's Call Option was exercisable by RedBird at any time between 30 June 2022 and 1 July 2024, however, in connection with the Proposed Transaction, RedBird has agreed not to exercise the Call Option for so long as the Merger Agreement remains in effect<sup>52</sup>. The exercise price of the Call Option is based on 9.0 times normalised LTM pro-forma EBITDA, less net debt and other adjustments (and is subject to a minimum option equity value of US\$251 million)<sup>53</sup>.

### ***Management share issue***

- 87 On 16 March 2021, key executives of Main Event purchased 1,100 shares of newly issued Series B Preferred Stock in Main Event for US\$1.1 million. The stock entitles each investor to a 10% per annum coupon. The coupon is not paid in cash but accumulates and compounds semi-annually. Investors are also entitled to participate in common stock dividends and the residual net assets of Main Event in the event of its liquidation. The Series B Preferred Stock

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<sup>49</sup> The Christmas and New Year holidays in December 2021 and January 2022 both occurred on a Saturday, compared to a Wednesday in December 2019 and January 2020 respectively. As Saturday's are traditionally high volume days for the business, the loss of customers to public holiday periods on a weekend rather than weekday impacted sales.

<sup>50</sup> Series A Preferred Stock.

<sup>51</sup> RedBird has agreed to suspend its semi-annual distributions on its preferred equity until completion of the Proposed Transaction.

<sup>52</sup> Provided that the time for exercising the Call Option will be extended beyond the original deadline of 1 July 2024 if the Merger Agreement is terminated, by one-half of the total number of days during which the Merger Agreement remains in effect and has not been terminated.

<sup>53</sup> The multiple would reduce to 8.0 times if it were not possible for Main Event to obtain certain change of control consents from its debt provider, or complete a debt refinancing on no less favourable terms.

converts to common stock when RedBird's Series A Preferred Stock converts to common stock.

### **Main Event LTIP**

- 88 Main Event has a Long Term Incentive Plan in place for its key executives (Main Event LTIP). The Main Event LTIP is linked to the future Equity Value of the Main Event business over and above a threshold amount. Vesting under the Main Event LTIP occurs on a pro-rata basis over a period of five years. A summary of the key terms of the Main Event LTIP are set out below:

<b>Main Event LTIP</b>	
Initial Grant Date	28 January 2021
Initial Grant Date Valuations	US\$330.0 million
Valuation basis	Equity Value
Hurdle rate (% per annum)	10%
Total LTI pool cap	12%
Vesting period (years)	5
Delivery of remuneration	Cash

**Source:** Ardent Leisure / Main Event.

- 89 If the vesting conditions are satisfied, participants in the Main Event LTIP are entitled to share in the (cash) value differential between the Equity Value of the Main Event business and the Grant Date Valuation, escalated at the hurdle rate.
- 90 Awards immediately vest in full upon the occurrence of a Realisation / Trigger Event provided that participants remain employed by the business at the date of those events. A Realisation / Trigger Event includes an acquisition of more than 50% of Main Event.

### **Theme Parks & Attractions**

- 91 Ardent Leisure's Theme Parks & Attractions business comprises its Australian based leisure assets including the Dreamworld and WhiteWater World theme parks and the SkyPoint attractions, each of which are located in the Gold Coast, Queensland.

#### **Dreamworld and WhiteWater World**

- 92 Ardent Leisure owns and operates Australia's largest theme park destination, Dreamworld, and its co-located WhiteWater World on the Gold Coast which offer more than 40 rides, slides and attractions. Dreamworld has some of the tallest and fastest thrill rides in Australia, including the recently completed Steel Taipan (Australia's only triple launch rollercoaster), in addition to precincts dedicated to the DreamWorks experience, ABC KIDS World and a LEGO Certified Store. Dreamworld is also a wildlife conservation park and is home to Tiger Island, an interactive tiger facility.
- 93 WhiteWater World, located next to Dreamworld, has a variety of family and thrill-based water rides using the latest environmentally friendly technology for sustainable water management. Guests can also rent cabanas located throughout the water park.
- 94 Ardent Leisure owns the land on which Dreamworld and WhiteWater World are operated, and licenses intellectual property from its key branding partners, including DreamWorks,

LEGO, Australian Broadcasting Corporation and the Wiggles. All other intellectual property used by Ardent Leisure is owned by the Company.

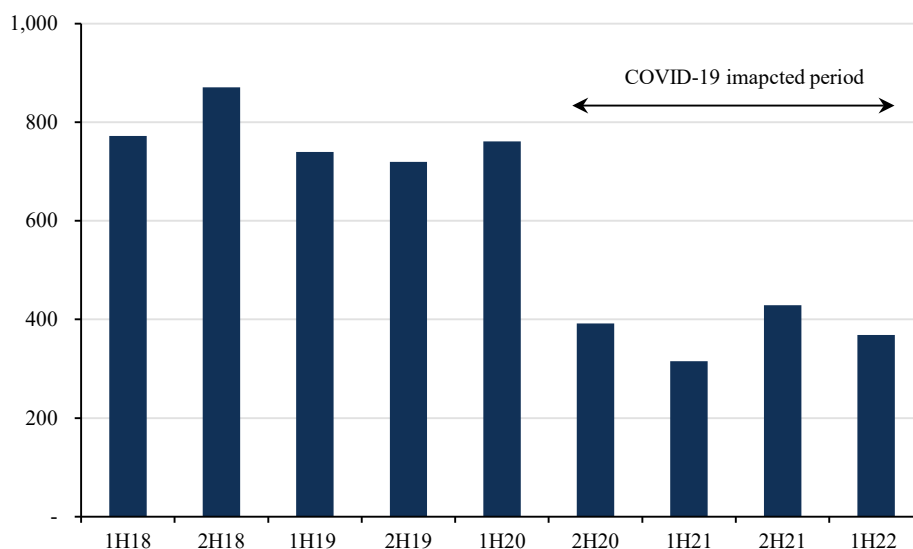
### **SkyPoint and SkyPoint Climb**

- 95 SkyPoint and SkyPoint Climb are located at Surfers Paradise on the Gold Coast. SkyPoint is located in one of Australia's tallest buildings, the Q1 Building in Surfers Paradise, and offers panoramic views of the Gold Coast from an observation deck, 270 metres above sea level. Visitors to SkyPoint can also dine at the SkyPoint Bistro and Bar. SkyPoint Climb is an outdoor open-air adventure, connected to an internal handrail for safety, offering views of the Gold Coast from the top of the Q1 Building. SkyPoint also offers conferencing and events venues with a private function room, meeting facilities and an outdoor terrace.

### **Revenue generation**

- 96 Revenue for the Theme Parks & Attractions business is derived from ticket sales, food and beverage sales, add-on experiences and events and retail and merchandise sales. Ticket sales for admission range from single day, multi day and annual passes.
- 97 Dreamworld, WhiteWater World and SkyPoint are visited by tourists to the Gold Coast and their success is dependent on the state of the domestic and international tourism markets. Ticket sales at outdoor theme parks such as Dreamworld, WhiteWater World and outdoor SkyPoint attractions (such as SkyPoint Climb) are also heavily dependent on weather conditions. Cyclones and heavy rainfall can deter visitors from attending these attractions or curtail their visits. WhiteWater World, being a water park, is more sensitive to sustained periods of wet weather than theme parks generally.
- 98 Attendances at Ardent Leisure's theme parks and attractions have significantly declined in recent periods, primarily attributable to the COVID-19 pandemic and resulting border closures and government restrictions:

**Ardent Leisure – Theme Parks & Attractions attendances (000s)**



Source: Ardent Leisure.

99 In respect of the above, we note that:

- (a) on 23 March 2020, Ardent Leisure made the decision to temporarily cease operations at the Dreamworld and WhiteWater World theme parks and its SkyPoint attractions as a result of the COVID-19 pandemic and the Queensland State and Federal Governments' announced measures regarding social distancing. SkyPoint reopened on 10 July 2020 and Dreamworld and WhiteWater World reopened on 16 September 2020
- (b) border restrictions imposed as a result of COVID-19 resulted in all international and a number of key interstate markets being largely unavailable from March 2020 onwards, noting that:
  - (i) the Federal Government announced that it would ban all non-citizens or non-residents from entering Australia from 20 March 2020, which followed similar bans placed on foreign nationals coming from China, Iran, South Korea and Italy
  - (ii) on 24 March 2020, the Queensland Government announced its initial domestic border restrictions. Since then, there have been a number of subsequent domestic border restrictions imposed by the Queensland Government
- (c) attendances in the six months to 30 June 2021 (2H21) were impacted by the Greater Brisbane lockdown, which occurred between 8 and 11 January 2021 and effectively brought a premature end to the Christmas holiday season for the tourism industry in Queensland.

### Strategy for growth

100 Strategic priorities for the Theme Parks & Attractions business include, inter alia:

- (a) driving attendance back to historic levels through significant capital investment to develop new and unique rides and attractions and other infrastructure. For instance, in December 2021, Dreamworld launched its largest ever single attraction investment, the Steel Taipan rollercoaster
- (b) prioritising continuous improvements in safety over cost pressures to restore customer confidence following the 2016 Dreamworld incident
- (c) exploring opportunities to maximise the commercialisation of the existing theme park and development options regarding excess land owned by Ardent Leisure adjacent to the Dreamworld and WhiteWater World theme parks<sup>54</sup>.

### Theme Parks & Attractions LTIP

101 Like Main Event, Ardent Leisure's Theme Parks & Attractions business also has in place a Long Term Incentive Plan for its key executives (Theme Parks & Attractions LTIP). The Theme Parks & Attractions LTIP is linked to the future appreciation of the Enterprise Value of the Theme Parks & Attractions business over and above a threshold amount. Vesting under the Theme Parks & Attractions LTIP occurs on a pro-rata basis over a period of four years. A summary of the key terms of the Theme Parks & Attractions LTIP are set out below:

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<sup>54</sup> While Ardent Leisure announced on 5 May 2021 that it had entered into a non-binding and conditional agreement for a developer to fund and build an accommodation precinct on the surplus land, on 21 December 2021, Ardent Leisure announced it had been unable to reach agreement on key aspects of the proposal and as a consequence, ceased these non-binding negotiations. The Ardent Leisure Board remains committed to exploring an on-site tourist accommodation offering at Dreamworld.

### Theme Parks & Attractions LTIP<sup>(1)</sup>

Grant Date	1 July 2019
Grant Date Valuations	A\$124.3 million
Valuation basis	Enterprise Value
Hurdle rate (% per annum)	8%
Total LTIP pool cap	6%
Vesting period (years)	4
Delivery of remuneration	Cash

**Note:**

1 A review of the Theme Parks & Attractions LTIP is currently in progress given the impacts of COVID-19 and value accretion levels currently required to trigger awards under the plan.

**Source:** Ardent Leisure.

- 102 If the vesting conditions are satisfied, participants in the Theme Parks & Attractions LTIP are entitled to share in the (cash) value differential between the Enterprise Value of the Theme Parks & Attractions business and the Grant Date Valuation, escalated at the hurdle rate.
- 103 Awards immediately vest in full upon the occurrence of a Realisation / Trigger Event provided that participants remain employed by the business at the date of those events. A Realisation / Trigger Event includes an acquisition of more than 75% of the Theme Parks & Attractions business and an initial public offering (IPO) of the Theme Parks & Attractions business.

## Financial performance

- 104 The financial performance of Ardent Leisure for the three years ended 29 June 2021 (FY21) and LTM Dec 21 is set out below:

### Ardent Leisure – statement of financial performance<sup>(1)</sup>

	FY19 <sup>(2)</sup> A\$m	FY20 <sup>(3)</sup> A\$m	FY21 A\$m	LTM Dec 21 A\$m
<b>Revenue</b>				
Main Event	416.2	343.8	354.7	487.2
Theme Parks & Attractions	67.1	54.5	36.0	41.4
Total	483.3	398.3	390.7	528.6
<b>EBITDA excluding Specific Items</b>				
Main Event	74.2	19.3	47.0	117.9
Theme Parks & Attractions	(10.0)	(7.8)	(10.3)	(18.9)
Corporate	(10.0)	(5.9)	(6.1)	(6.9)
Total	54.2	5.7	30.6	92.1
Specific Items <sup>(4)</sup>	(41.9)	19.6	36.7	23.6
<b>Reported EBITDA</b>	12.3	25.3	67.3	115.7
Depreciation and amortisation	(52.4)	(65.6)	(60.7)	(61.4)
Amortisation of lease assets	-	(28.5)	(25.0)	(25.3)
<b>Reported EBIT<sup>(5)</sup></b>	(40.0)	(68.8)	(18.5)	29.1
Borrowing costs (net)	(7.9)	(26.9)	(34.7)	(33.1)
Lease liability interest expense	-	(36.6)	(34.4)	(35.7)
Discontinued operations <sup>(6)</sup>	(0.6)	-	-	-
<b>Loss before tax</b>	(48.6)	(132.3)	(87.5)	(39.7)
Income tax benefit / (expense)	(12.3)	(3.8)	0.6	(1.7)
<b>Net loss after tax</b>	(60.9)	(136.1)	(86.9)	(41.4)



<b>Ardent Leisure – statement of financial performance<sup>(1)</sup></b>				
	<b>FY19<sup>(2)</sup></b>	<b>FY20<sup>(3)</sup></b>	<b>FY21</b>	<b>LTM Dec 21</b>
	<b>A\$m</b>	<b>A\$m</b>	<b>A\$m</b>	<b>A\$m</b>
<i>EBITDA margins excluding Specific Items</i>				
<i>Main Event</i>	17.8%	5.6%	13.3%	24.2%
<i>Theme Parks &amp; Attractions</i>	(14.8%)	(14.2%)	(28.7%)	(45.6%)
<i>Total</i>	11.2%	1.4%	7.8%	17.4%

**Note:**

1 A summary of the number of trading days reflected in each of the above periods is set out below:

Start date	27 Jun 18	26 Jun 19	1 Jul 20	30 Dec 20
End date	25 Jun 19	30 Jun 20	29 Jun 21	28 Dec 21
Total trading days	364	371	364	364

2 The financial results for FY19 do not incorporate the impacts of the change in lease accounting (Australian Accounting Standard AASB 16 – *Leases* (AASB 16)).

3 The results for FY20 have been restated to reflect the change in accounting policy adopted in FY21 to measure Theme Parks & Attractions land, buildings and major rides and attractions at cost (previously at fair value).

4 A breakdown of Specific Items is set out below:

Impairment of assets	(17.6)	(17.4)	(4.1)	0.0
Restructuring and other non-recurring items	(13.0)	(7.0)	(4.1)	(0.5)
Lease payments no longer recognised in EBITDA under AASB 16	-	48.5	48.0	48.5
Main Event LTIP valuation expense	-	-	-	(10.2)
RedBird Call Option valuation expense	-	-	-	(10.8)
Other items	(11.3)	(4.5)	(3.0)	(3.4)
Total Specific Item add-backs	(41.9)	19.6	36.7	23.6

5 Earnings before interest and tax (EBIT).

6 In FY18, Ardent Leisure disposed of its interests in a number of businesses including its Bowling & Entertainment business and its Marinas business. The results for FY19 included some minor selling costs associated with the sale of these businesses.

**Source:** Ardent Leisure.

105 As indicated above, the financial performance of the Main Event and Theme Parks & Attractions businesses was significantly impacted by the COVID-19 pandemic, noting:

- (a) Ardent Leisure's FY20 results were significantly impacted by COVID-19 due to all Main Event centres and the Theme Parks & Attractions business being closed from 17 March 2020 and 23 March 2020 respectively. As at 30 June 2020, 38 of 44 Main Event centres had reopened, however the Theme Parks & Attractions business remained closed
- (b) the financial results for FY21 were also impacted by business closures (particularly Theme Parks & Attractions), noting that SkyPoint reopened on 10 July 2020 while the Dreamworld and WhiteWater World theme parks only reopened on 16 September 2020. By end of August 2020, 41 of 44 Main Event centres had reopened and by 29 June 2021, all 44 Main Event centres were open for trading
- (c) the financial performance of the Theme Parks & Attractions business during LTM Dec 21 remained impacted by government lockdowns, domestic and international border uncertainty and pandemic related general sentiment.



- 106 However, the financial performance of Main Event significantly improved during LTM Dec 21, exceeding pre-COVID-19 levels. The significant improvement in the financial performance of the Main Event business during this period was attributed to, inter alia:
- (a) a significant increase in walk-in revenues despite continued subdued corporate / group trading
  - (b) incremental revenue from new Main Event centres that were opened during FY21 and the six months to 31 December 2021 (1H22) including the centre in Wesley Chapel, Florida which opened in July 2020 and the new centre in Chesterfield, Missouri, which opened in September 2021
  - (c) increasingly positive sentiment post-COVID-19 towards leisure spend generally and out-of-home entertainment
  - (d) an improvement in EBITDA margins, reflecting the high operating leverage nature of the Main Event business.

## Financial position

- 107 The financial position of Ardent Leisure as at 29 June 2021 and 28 December 2021 is set out below:

<b>Ardent Leisure – statement of financial position<sup>(1)</sup></b>		
	<b>29 Jun 21</b>	<b>28 Dec 21</b>
	<b>A\$m</b>	<b>A\$m</b>
Cash and cash equivalents	115.0	110.4
Receivables	4.8	12.0
Inventories	6.3	8.3
Property, plant and equipment	408.5	437.7
Intangible assets	74.6	77.4
Right of use assets	286.7	319.8
Investments held for sale <sup>(2)</sup>	1.4	0.8
Derivative financial instruments	0.0	0.1
Deferred tax assets	4.7	4.1
Other assets	4.7	12.0
<b>Total assets</b>	<b>906.6</b>	<b>982.8</b>
Payables	88.7	89.1
Derivative financial instruments	2.4	13.3
Interest bearing liabilities	260.7	305.5
Lease liabilities	364.0	406.9
Tax liabilities	11.6	11.0
Provisions	7.1	17.8
Other	2.4	2.7
<b>Total liabilities</b>	<b>736.9</b>	<b>846.2</b>
<b>Net assets</b>	<b>169.7</b>	<b>136.5</b>

**Note:**

1 Rounding differences may exist.

2 Relates to a minority investment in Online Media Holdings Limited.

**Source:** Ardent Leisure.

108 In respect of the above, we note that:

- (a) **Property, plant and equipment** – is carried at historical cost less accumulated amortisation and impairment<sup>55</sup>. A breakdown of Ardent Leisure's property, plant and equipment is set out below:

<b>Ardent Leisure – property, plant and equipment<sup>(1)</sup></b>		
	<b>29 Jun 21</b>	<b>28 Dec 21</b>
	<b>A\$m</b>	<b>A\$m</b>
Land and buildings	236.3	251.7
Plant and equipment	105.4	104.0
Major rides and attractions	20.7	20.3
Furniture, fittings and equipment	2.7	2.7
Construction in progress	43.4	59.0
Motor vehicles	0.0	0.0
<b>Total property, plant and equipment</b>	<b>408.5</b>	<b>437.7</b>

**Note:**

1 Rounding differences may exist.

- (b) **Intangible assets** – a breakdown of Ardent Leisure's intangible assets is set out below:

<b>Ardent Leisure – goodwill<sup>(1)</sup></b>		
	<b>29 Jun 21</b>	<b>28 Dec 21</b>
	<b>A\$m</b>	<b>A\$m</b>
Goodwill – Main Event	55.4	57.8
Other intangible assets <sup>(2)</sup>	19.1	19.6
<b>Total intangible assets</b>	<b>74.6</b>	<b>77.4</b>

**Note:**

1 Rounding differences may exist.

2 Includes the Safety Case and licence required to operate amusement parks.

Goodwill has been recognised on various acquisitions made by the Main Event business and is tested annually for impairment using the value in use method. As at 29 June 2021, the following key assumptions were adopted for impairment testing purposes:

- (i) budget / forecast EBITDA growth rate of 15.25% per annum<sup>56</sup>
- (ii) long term EBITDA growth rate of 2% per annum<sup>57</sup>
- (iii) post tax discount rate of 15.75% per annum

<sup>55</sup> Ardent Leisure previously measured Theme Parks & Attractions land, buildings and major rides using the revaluation model, under which the assets were carried at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. In the period to 29 June 2021, the Company changed its policy to apply the cost model to these assets as it is more aligned to practices adopted by its competitors and enables better comparability between the Company's businesses and assets, and with industry peers.

<sup>56</sup> Compound annual growth rate (CAGR) over the five year budget / forecast period.

<sup>57</sup> Average growth rate used to extrapolate cash flows beyond the five year budget / forecast period.

- (c) **Derivative liabilities** – as indicated at paragraph 86, RedBird was granted an option to acquire additional equity in Main Event. The RedBird Call Option liability is carried at fair value<sup>58</sup>
- (d) **Interest bearing liabilities** – a summary of Ardent Leisure’s interest bearing liabilities is set out below:

<b>Ardent Leisure – interest bearing liabilities<sup>(1)</sup></b>		
	<b>29 Jun 21</b>	<b>28 Dec 21</b>
	<b>A\$m</b>	<b>A\$m</b>
US Term debt and revolving credit	182.9	190.3
QTC Facility	13.8	39.6
<b>Subtotal</b>	<b>196.6</b>	<b>229.9</b>
RedBird preferred shares	75.7	86.2
Management preferred shares	1.2	1.3
Unamortised borrowing costs	(12.8)	(11.9)
<b>Interest bearing liabilities</b>	<b>260.7</b>	<b>305.5</b>

**Note:**

- 1 Rounding differences may exist.

In respect of the above, we note that:

- (i) **US term debt and revolving credit facilities** – Main Event has access to a US\$137.6 million term loan facility<sup>59</sup>, as well as a US\$25.0 million revolving credit facility (collectively, the US Facility<sup>60</sup>) as at 28 December 2021. As at this date, the term loan facility was fully drawn while the revolving credit facility remained undrawn. The US Facility is secured and guaranteed by Main Event and is non-recourse to the other assets of the Company. The term debt facilities require principal repayments equal to 1% of the amounts drawn on these facilities each year and are subject to a net leverage covenant on Main Event<sup>61</sup>. All of Main Event’s debt facilities have a variable interest rate, however the interest rates on the loans are partially fixed using interest rate caps. The weighted average interest rates payable on the US loans at 28 December 2021, including the impact of the interest rate swaps and caps, was 7.50% per annum
- (ii) **QTC Facility** – on 7 August 2020, Ardent Leisure secured a financial assistance package for its Theme Parks & Attractions business under the Queensland Government’s COVID-19 Industry Support Package and Queensland Tourism Icons Program 2020. The package, totalling A\$69.9 million, comprises a three-year secured loan facility of A\$63.7 million (which includes capitalised interest and fees) and grants of A\$6.2 million which can be used to fund working capital and approved capital expenditure. The loan facility was effective from

<sup>58</sup> The fair value of the RedBird Call Option is determined using a Monte-Carlo simulation model which takes into account its intrinsic value (determined with reference to its strike price and its current spot price), risk free interest rates and time to expiry of the option.

<sup>59</sup> Comprising a US\$122.9 million drawn term loan and a US\$14.7 million delayed draw term loan.

<sup>60</sup> The term debt and delayed draw term debt facilities will mature on 4 April 2025, while the revolving credit facility will mature on 4 April 2024.

<sup>61</sup> Being the ratio of net debt to EBITDA adjusted for unrealised and certain non-cash and other one-off items (adjusted EBITDA).

15 October 2020 and is mutually exclusive from the debt facility in place for the Main Event business. The weighted average interest rate payable on the QTC Facility at 28 December 2021 was 4.12% per annum.

A summary of Ardent Leisure's US and Australian debt facilities (including cash attributable to each business) as at 28 December 2021 is set out below:

	Limit	Drawn
<b>US facilities (Main Event)</b>	<b>US\$m</b>	<b>US\$m</b>
Funded term debt	122.9	122.9
Delayed drawn term debt	14.7	14.7
Revolving credit facility	25.0	-
Total	162.6	137.6
Cash		(66.9)
Net debt		70.7
<b>Australian facilities</b>	<b>A\$m</b>	<b>A\$m</b>
QTC Facility	63.7	39.6
Cash		(17.9)
Net debt		21.7

(iii) **RedBird and management preferred shares** – represents RedBird's and management's (preferred equity) interests in Main Event (part of which is treated as debt for accounting purposes)

(e) **ATO Liability** – in October 2019 a settlement was reached with the ATO under which Ardent Leisure was required to make further tax payments in respect of prior periods totalling \$15.9 million. Of this amount, \$10.0 million remains payable on deferred settlement terms commencing September 2022. The ATO has taken security over the freehold and business assets of SkyPoint until such time as the tax liability is fully repaid.

### Contingent liabilities

109 In addition to the above, we note that Ardent Leisure has a number of off-balance sheet contingent liabilities:

- (a) a small number of civil claims relating to the 2016 Dreamworld tragedy made by families and other affected persons have yet to be finalised. They are in the process of being dealt with by the Company's liability insurer. The statutory time period for bringing civil claims has passed
- (b) on 18 June 2020, the Company was served with a representative shareholder class action arising from the 2016 Dreamworld tragedy. The claim alleges contraventions of the Corporations Act. The Company denies the allegations and is defending the claim. The applicant has not provided any expert quantum or materiality evidence to support its claim and therefore the Company cannot provide any meaningful or indicative estimate of the quantum of any potential liability (if any at all).

110 Notwithstanding the above, Ardent Leisure maintains appropriate insurances to respond to litigation and the majority of associated costs.

## Share capital and performance

111 As at 27 May 2022, Ardent Leisure had 479.7 million fully paid ordinary shares on issue.

112 In addition, Ardent Leisure had:

- (a) 63,798 performance rights on issue pursuant to the Company's Long Term Incentive Plan (Ardent LTIP). Ardent Leisure management have indicated that the likelihood of these performance rights achieving the relevant performance hurdles and vesting was relatively remote as at the date of our report
- (b) 192,276 performance rights issued under the Deferred Short Term Incentive Plan (Ardent DSTI). These rights are will vest (subject to a tenure hurdle being met) in equal tranches in August 2022 and August 2023.

## Substantial shareholders

113 As at 27 May 2022, there were five substantial shareholders in Ardent Leisure. The substantial shareholders (based on the FY21 Annual Report and subsequent substantial shareholder notices released to the ASX) were as follows:

Ardent Leisure – substantial shareholders <sup>(1)</sup>		
	Shares held	
	Million	% total
Yarra Management Nominees Pty Ltd and TA Universal Holdings Ltd	61.1	12.73
FIL Ltd	48.0	10.00
The Ariadne Substantial Holder Group <sup>(2)</sup>	45.3	9.45
Wilson Asset Management Group	42.0	6.03
River Capital Pty Ltd	27.3	5.70

**Note:**

1 Rounding differences may exist.

2 Includes Portfolio Services Pty Limited, Ariadne Holdings Pty Limited, Ariadne Australia Limited, Bivaru Pty Limited and Kayaal Pty Ltd.

**Source:** Ardent Leisure FY21 Annual Report, Notice of initial substantial holder 10 May 2022 and Notice of change of interests of substantial shareholder 18 May 2022.

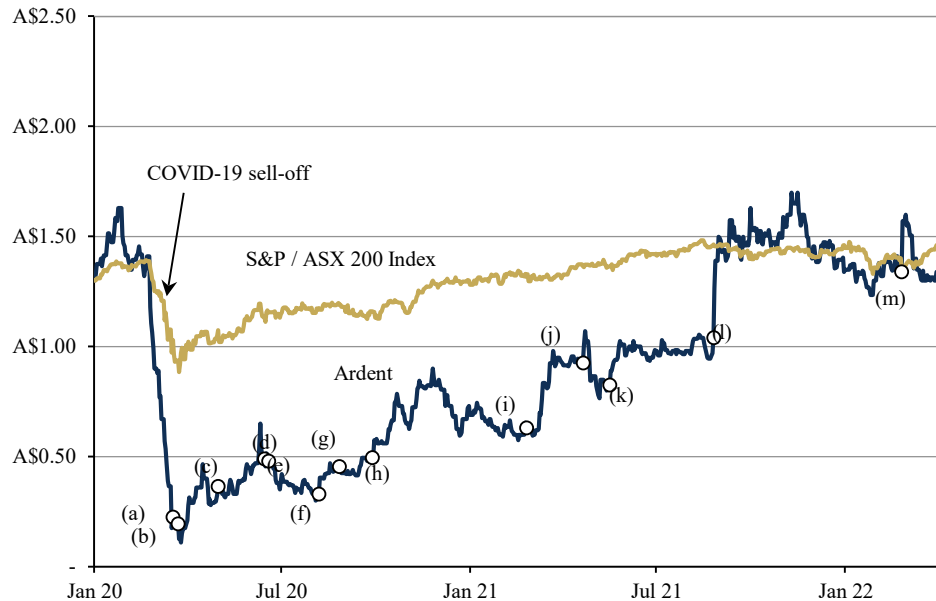
## Share price performance

114 The following chart illustrates the movement in the share price of Ardent Leisure from 1 January 2020 to 6 April 2022<sup>62</sup>:

<sup>62</sup> Being the last trading day prior to the announcement of the Proposed Transaction (noting the Proposed Transaction was announced after market close on 6 April 2022).

**Ardent Leisure – share price history<sup>(1)</sup>**

**1 January 2020 to 6 April 2022**



**Note:**

1 Based on closing prices. The S&P / ASX 200 Index has been rebased to Ardent Leisure's last traded price on 1 January 2020, being A\$1.30.

Source: Bloomberg.

115 We note the following with respect to the material movements in Ardent Leisure's share price:

- (a) **18 March 2020** – Ardent Leisure announced Main Event had made the decision to temporarily close all of its centres nationwide beginning 17 March 2020 through until the end of March 2020
- (b) **23 March 2020** – Ardent Leisure announced in light of government restrictions and the high level of uncertainty associated with the COVID-19 outbreak, operations at Dreamworld and WhiteWater World would cease until 31 May 2020. On 24 May 2020, Ardent Leisure announced that SkyPoint would suspend operations until 31 May 2020
- (c) **1 May 2020** – Ardent Leisure provided a further update on Main Event, announcing, inter alia, it anticipated that it may be able to reopen 23 or more centres (representing over 50% of the total system) during the month of May 2020
- (d) **15 June 2020** – Ardent Leisure announced that RedBird had acquired a 24.2% (preferred equity) interest in Main Event for consideration of US\$80 million
- (e) **18 June 2020** – Ardent Leisure announced that a shareholder class action had been served on the Company in connection with the Dreamworld tragedy in 2016
- (f) **7 August 2020** – Ardent Leisure announced that it had received financial assistance for its Theme Parks & Attractions business under the Queensland Government's COVID-19 Industry Support Package and Queensland Tourism Icons Program 2020
- (g) **27 August 2020** – Ardent Leisure released its financial results for FY20

- (h) **28 September 2020** – Ardent Leisure announced that the prosecution in relation to the 2016 Dreamworld tragedy commenced by the Queensland Work Health & Safety Prosecutor had been finalised, resulting in a fine of A\$3.6 million<sup>63</sup>
- (i) **25 February 2021** – Ardent Leisure released its financial results for the first half of FY21
- (j) **21 April 2021** – Ardent Leisure provided a trading update on the recent performance of the Main Event and Theme Park & Attractions businesses. The Company also announced it had appointed Greg Yong as its new Chief Executive Officer for its Theme Parks & Attractions business
- (k) **17 May 2021** – Ardent Leisure provided a further update on recent trading performance of Main Event following the update provided on 21 April 2021
- (l) **26 August 2021** – Ardent Leisure released its financial results for FY21. In particular, the Company announced that Main Event's constant centre revenue performance during the second half of FY21 exceeded FY19 pre-COVID levels and was up 32.1% and 40.4% in 4Q21 and July 2021, respectively
- (m) **25 February 2022** – Ardent Leisure released its financial results for the first half of FY22.

#### Liquidity in Ardent Leisure shares

- 116 The liquidity in Ardent Leisure shares based on trading on the ASX over the 12 month period prior to 6 April 2022<sup>64</sup> is set out below:

Ardent Leisure – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS <sup>(1)</sup> outstanding 000	Implied level of liquidity Period <sup>(2)</sup> %	Annual <sup>(3)</sup> %
1 month	07 Mar 22	06 Apr 22	31,182	479,706	6.5	78.0
3 months	07 Jan 22	06 Apr 22	94,944	479,706	19.8	79.2
6 months	07 Oct 21	06 Apr 22	174,815	479,706	36.4	72.9
1 year	07 Apr 21	06 Apr 22	462,840	479,706	96.5	96.5

**Note:**

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

**Source:** Bloomberg, LEA analysis.

- 117 As indicated above, the implied level of liquidity in Ardent Leisure (on an annualised basis) is relatively high, particularly when considering the large parcels of stock that have historically been closely held by its substantial shareholders.

<sup>63</sup> These proceedings are separate to the class action proceedings commenced on 18 June 2020.

<sup>64</sup> Being the last trading day prior to the announcement of the Proposed Transaction (noting the Proposed Transaction was announced after market close on 6 April 2022).

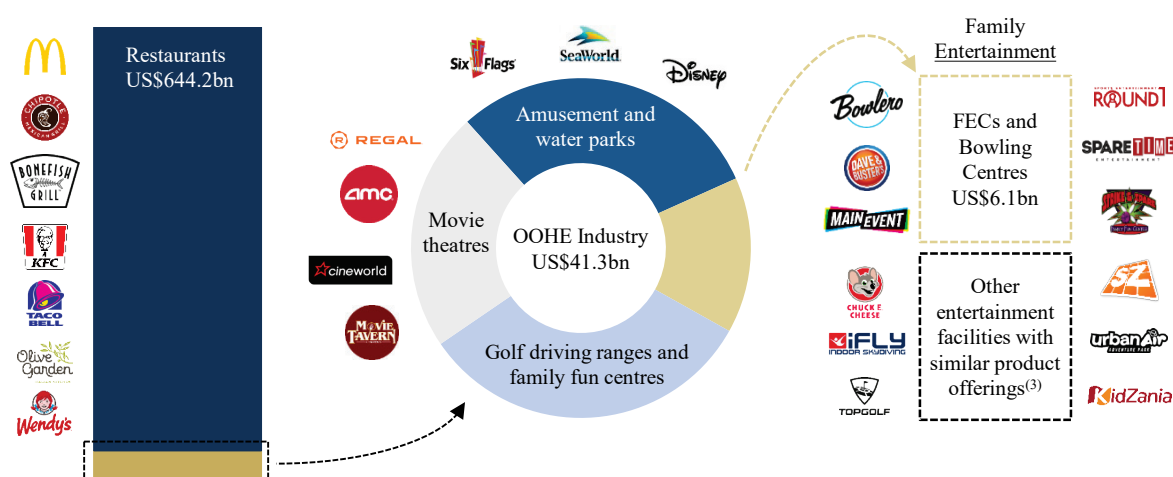


## IV Industry overview

### Overview

- 118 Ardent Leisure owns and operates leisure and entertainment assets in Australia and the US. The Company operates through two business divisions, Main Event (which is located in the US) and Theme Parks & Attractions (which is located in Australia).
- 119 As the Proposed Transaction concerns the sale of the Main Event business, this industry profile focuses solely upon the US industry in which Main Event competes.
- 120 Main Event's service offering (i.e. a combined entertainment and full menu and bar offering) spans the US Out Of Home Entertainment (OOHE) and Restaurant industries:
- (a) OOHE Industry – broadly refers to operators of out-of-home entertainment experiences and attractions ranging from amusement theme parks and waterparks, arcade and entertainment facilities, cinema, live music and sporting events and other location based entertainment
  - (b) Restaurant Industry – includes fast food, single location full service, chain and fine dining restaurants.
- 121 The following chart depicts the relative size of the respective industries (noting that the OOHE industry as depicted excludes a number of segments which are considered less comparable to Main Event) as well as the relative size of selected segments of the OOHE industry:

**US expenditure on OOHE and restaurants<sup>(1)(2)</sup>**  
US\$b (2021 real terms)



**Note:**

- 1 Restaurant revenue includes fast food restaurants (46%), single location full service restaurants (29.1%), chain restaurants (23.2%) and fine dining restaurants (1.7%).
- 2 There are a number of other services that could be considered a part of the OOHE industry such as live music and sporting events, however, these discrete activities form part of other much larger segments which in total are considered less comparable to Main Event and have therefore been excluded.
- 3 Many other entertainment facilities, which compete with family entertainment centres (FEC) and bowling centres (Bowling Centre) which form part of the FEC and Bowling Centre segments of the OOHE industry are categorised by IBISWorld within other industries / segments (e.g. CEC Entertainment Inc. (CEC Entertainment) is categorised as a chain restaurant within the Restaurant industry and Topgolf International Inc. (Topgolf), Urban Air Adventure Park and iFLY Indoor Skydiving form part of the "golf driving ranges and family fun centres"). Accordingly the true size of the family entertainment segment cannot be depicted.

**Source:** IBISWorld and LEA analysis.

- 122 As noted in the chart above, the true size and composition of the family entertainment segment (in which Main Event competes) is difficult to ascertain because market participants are categorised across a broad range of different industries / segments (and in many instances form only a very small component of that industry / segment<sup>65</sup>). In the absence of total segment data, we set out in this Industry section of our report an overview of the FEC and Bowling Centre segments only.

## **FECs and Bowling Centres**

### **Overview**

- 123 The FEC segment of the OOHE industry includes operators of family friendly venues that offer arcade and similar entertainment (such as bowling, laser tag etc.) in addition to full-service restaurant and bar services. Main Event is considered to be an FEC and is captured / reported (by IBISWorld) within / as a part of the data for this segment.
- 124 FECs can be categorised based on a number of factors including:
- (a) size and format – FECs come in a variety of formats including indoor centres that generally range from 10,000 to 75,000 square feet<sup>66</sup>, with outdoor parks that cover significant acreage
  - (b) target demographics – whilst traditionally FECs have primarily focused on children within the 8 to 14 age demographic, there has been a recent emergence of facilities that specifically target adults by featuring food and alcoholic beverages, venue hire, and adult oriented games and activities
  - (c) activity / theme – FECs may specialise in a particular theme, such as those that are positioned as a destination for young children’s birthday parties, or in specific activities, such as mini-golf or bowling.
- 125 The Bowling Centre segment of the OOHE industry includes operators of bowling lanes and related facilities. Traditionally, Bowling Centres have enabled customers to enjoy the use of a centre’s bowling lanes and facilities (either on a recreational or league play basis) in addition to shoe hire and food and beverage. League bowlers, which once represented the major market for operators, now account for a shrinking share of bowling revenue, with shoe rental and open-play bowlers representing larger portions. To attract this growing market of casual bowlers, Bowling Centres have increasingly become multi-use facilities that include a variety of other attractions, from laser tag to arcade games and have transitioned toward centres that either cater to families or young adults interested in upscale restaurants and bars.

### **Segment size and historic rates of growth**

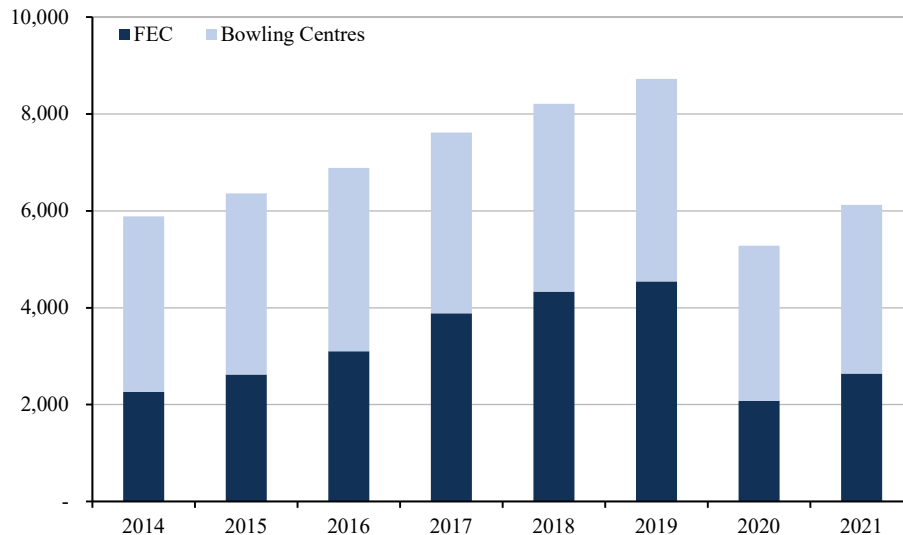
- 126 The US FEC and Bowling Centre segments experienced strong growth over the five years to 2019, with combined segment revenue increasing (in real terms) by approximately 50% to over US\$8.7 billion over the period, representing a (real) CAGR of 8.2%.

<sup>65</sup> For example, CEC Entertainment is categorised as a chain restaurant within the very large Restaurant industry (and its data is not individually identifiable). Topgolf, which is categorised as part of golf driving ranges and family fun centres, is another example.

<sup>66</sup> Being the equivalent of some 900 square metres to some 7,000 square metres.

- 127 Public health mandates and safety concerns related to the outbreak of COVID-19 resulted in a sharp decrease in 2020 revenue, with subdued conditions persisting into 2021, as shown below:

**US FEC and Bowling Centre segments – historic segment wide revenue**  
US\$m (2021 real terms)



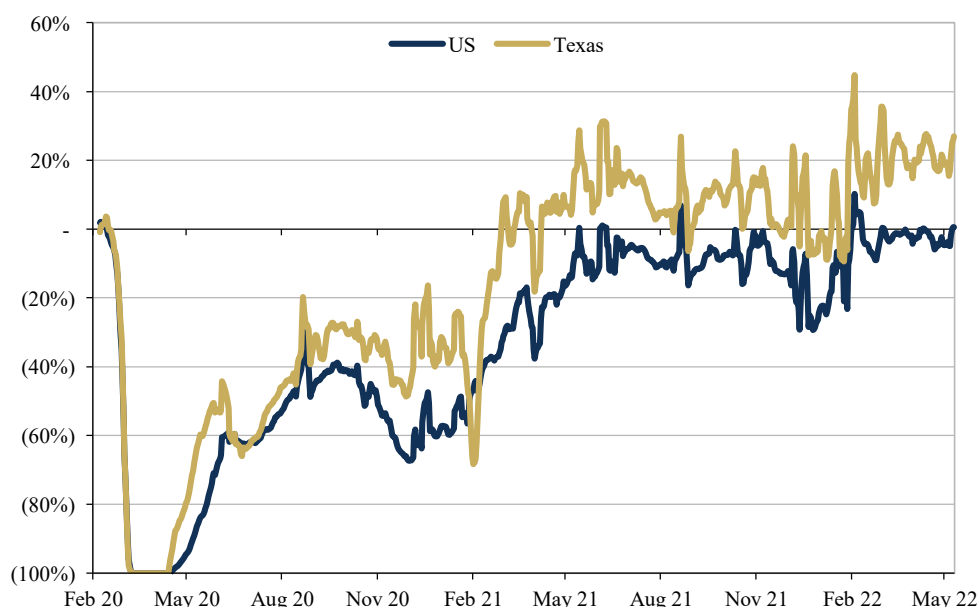
Source: IBISWorld, *Arcade, Food & Entertainment Complexes in the US*, dated August 2021; *Bowling centres in the US*, dated September 2021.

- 128 The combined revenue of the FEC and Bowling Centre segments decreased (in real terms) by approximately 39.4% in 2020 relative to the prior year, after the majority of FECs and Bowling Centres across the country were mandated to shut down in response to the COVID-19 pandemic, depriving operators of any opportunity to generate revenue. Restrictions began to ease in early 2021, however, FECs and Bowling Centres were still considered a high risk venue, and many operators were only able to operate at partial capacity<sup>67</sup>. While revenue recovered somewhat in 2021, with combined revenue increasing (in real terms) by 16.0%, revenue nonetheless remains well below historic levels.
- 129 That said, we note that recent financial performance of individual industry participants within the US FEC and Bowling Centre segments has varied significantly based on, inter alia, their location and target demographic. For instance:
- (a) the return of restaurant dining traffic<sup>68</sup> has been quicker in certain regions such as Texas where Dave & Buster's and Main Event have a significant presence, noting traffic recovered to pre COVID-19 levels from around March 2021:

<sup>67</sup> Source: IBISWorld, *Arcade, Food & Entertainment Complexes in the US*, dated August 2021.

<sup>68</sup> We consider restaurant dining traffic a broad indicator of the trends that are likely to persist in the FEC and Bowling Centre segments generally.

**Mobility and restaurant dining – comparison to pre-COVID-19 baseline<sup>(1)</sup>**  
**% change in seated diners<sup>(2)</sup>**



**Note:**

1 Rolling seven day average change relative to baseline. Data begins 24 February 2020 and ends 27 May 2022.

2 OpenTable data measures the change in number of seated diners at a sample of restaurants on the OpenTable network each day relative to the same day in 2019.

**Source:** OpenTable, *Seated diners from online, phone, and walk-in reservations reports*, (<https://www.opentable.com/state-of-industry>) accessed 20 May 2022, and LEA analysis.

- (b) as set out in Section III, the financial performance of Main Event has significantly improved in the more recent period and currently materially exceeds pre COVID-19 levels (noting Main Event has a relatively concentrated southern footprint particularly in Texas)
- (c) Dave & Buster's (despite its presence in Texas) was significantly affected by COVID-19 throughout 2020 and 2021 and is yet to return to pre COVID-19 levels<sup>69</sup>. This is likely due to, inter alia, its more diversified geographic footprint (that has a higher degree of exposure than Main Event, to states in the west and northeast of the US that imposed more restrictive and prolonged COVID-19 measures) and its offering which targeted toward the adult demographic (rather than families)
- (d) for the quarter ended 27 March 2022, Bowlero Corporation reported same-store revenue growth of 12.2% compared to pre-pandemic levels<sup>70</sup>.

130 More generally, the key factors that impact FEC and Bowling Centre revenue include:

- (a) changes in economic conditions – the products and services offered are discretionary by nature, and consumer spending across the category increases and decreases with changes in disposable income. In this respect, we note that over the eight years to

<sup>69</sup> For the quarter ended 31 January 2022, Dave & Buster's reported that total same-store sales were 6.8% lower than the same period in 2019. Source: Dave & Buster's, *Fourth quarter 2021 and full-year financial results press release*, dated 28 March 2022.

<sup>70</sup> Bowlero Corporation, *Third quarter of fiscal year 2022 results press release*, dated 11 May 2022.

March 2020 (i.e. prior to the emergence of the COVID-19 pandemic), US per capita real disposable income increased steadily at a CAGR of 1.5%<sup>71</sup>

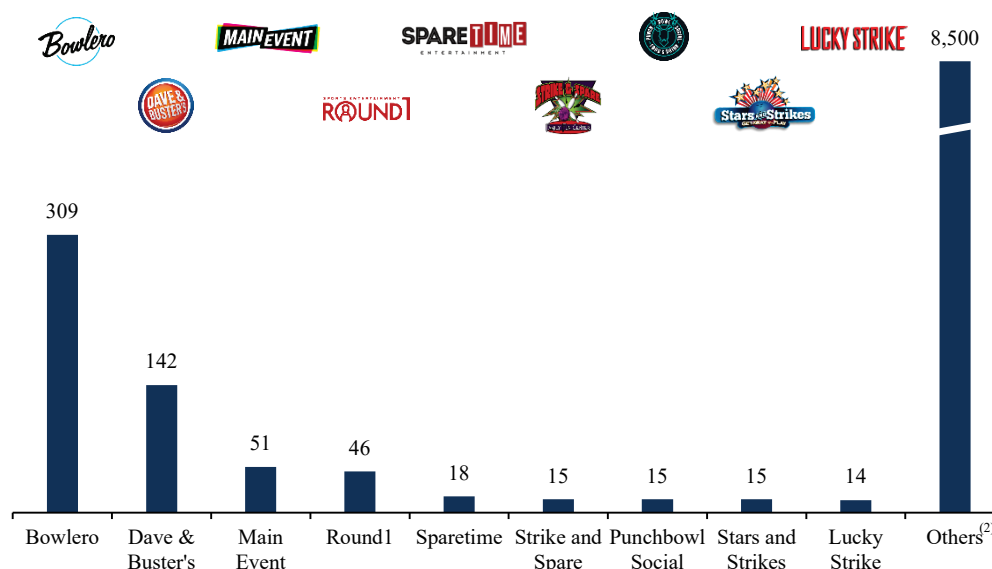
- (b) external competition from substitute products – changes in home based entertainment such as video game consoles and mobile gaming devices continue to threaten FECs and Bowling Centres, particularly when the rate of technological change is high. FECs and Bowling Centres also face competition from OOHE alternatives such as movie theatres and amusement parks
- (c) seasonality in demand – revenue is influenced by seasonal shifts in consumer spending and is generally higher during spring and school year-end holiday periods, which spans from March to late August. Conversely, revenue is typically lower over the September to December months, when children return to school and consumers are less likely to travel for holidays.

## Competition

- 131 The FEC and Bowling Centre segments in the US are highly fragmented and characterised by a high number of independent brands focused on specific regions, with only a small number of FEC and Bowling Centre operators competing on a national scale.
- 132 The following chart provides a breakdown of FEC and Bowling Centre operators in the US (based on their most recently disclosed centre locations):

**Major FEC and Bowling Centre operators in the US<sup>(1)</sup>**

**Number of locations**



**Note:**

1 Based on latest available data, excluding centres located outside the US.

2 Estimate only and is mostly comprised of single centre operators.

**Source:** IBISWorld, *Arcade, Food & Entertainment Complexes in the US*, dated August 2021; *Bowling centres in the US*, dated September 2021, company websites, investor presentations and LEA analysis.

<sup>71</sup> Subsequent rates of growth have been volatile as a result of, inter alia, US government stimulus payments which were initially disbursed in April and May 2020, followed by a second and third round of payments over the period January to April 2021.

- 133 Other major entertainment facilities that have broadly similar product offerings and which FECs and Bowling Centre operators compete with to varying degrees, include (noting that these businesses are not categorised by IBISWorld as either an FEC or a Bowling Centre operator<sup>72</sup>):
- (a) **CEC Entertainment**<sup>73</sup> – owner, operator and franchisor of a global network of family orientated entertainment and dining venues across two complementary brands, “Chuck E. Cheese” (558 venues) and “Peter Piper Pizza” (114 venues) that provide a combination of games, entertainment, merchandise and food
  - (b) **Topgolf**<sup>74</sup> – global sports and entertainment company that offers multiple forms of entertainment, including venues with technology-enabled golf hitting bays, food and beverage and music, as well as mobile gaming, indoor multi-sport simulators, shot-tracking technology for golf television broadcasts and driving ranges, pop-up social experiences and exclusive digital content. The company has grown to over 60 locations globally
  - (c) **Urban Air Adventure Park**<sup>74</sup> – an indoor adventure park that primarily provides indoor trampoline facilities, but also offers other activities such as go-karting, mini golf, indoor skydiving and bowling, as well as food and beverage. The company has approximately 100 locations across the US and Canada
  - (d) **iFLY Indoor Skydiving**<sup>74</sup> – provides vertical wind tunnels designed to suit a range of experience and ability levels that simulate the sensation of skydiving. The company’s skydiving experience includes training from a professional coach, flight gear rental and two or more flight rotations. The company has 41 locations across the US and another 11 internationally.
- 134 FECs and Bowling Centre operators also compete, to a lesser degree, with OOHE alternatives such as movie theatres and amusement parks.
- 135 Key areas that market participants focus on to enhance their competitiveness include:
- (a) strong branding – achieved through distinctive centre design and high quality fit-outs, which increase walk-in customer traffic, in addition to marketing initiatives that drive customer engagement such as loyalty programs, competitions and redemption prizes, birthday parties and holiday events
  - (b) system infrastructure and technology – operators can enhance customer experience by providing the latest games, guest facing technology such as handheld devices, self-service kiosks and mobile applications. In addition, investing in system infrastructure can provide operational efficiencies and improve margins, for instance automated payment systems allow FECs to operate a leaner staff model, whilst card (rather than coin) operated machines reduce maintenance costs associated with coin blockages

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<sup>72</sup> Accordingly, their revenue does not form part of either the historic or forecast FEC and Bowling Centre segment revenue set out in this section of the report.

<sup>73</sup> CEC Entertainment is categorised by IBISWorld as a chain restaurant and its data (which is not individually identifiable) forms part of the IBISWorld report, *Chain Restaurants in the US*.

<sup>74</sup> Topgolf, Urban Air Adventure Park and iFLY Indoor Skydiving form part of IBISWorld report, *Golf driving ranges & family fun centers in the US*.



- (c) diverse product offerings – operators seek to increase their value proposition by offering a multi-faceted customer experience that cannot be easily replicated elsewhere. This is achieved by providing a diverse range of offerings including:
  - (i) extensive food menu and multiple dining options (casual, takeaway, full service dining etc.)
  - (ii) full service bar that offers a variety of alcoholic and non-alcoholic beverages
  - (iii) a wide array of amusement and entertainment options including large screen televisions, arcade games, virtual reality systems, and leisure activities such as bowling and billiards
- (d) geographic diversification – operators can increase their market share by pursuing a disciplined expansion strategy that involves securing sites that are in quality locations, with acceptable agreements to lease or purchase each site and constructing centres on a cost-effective basis
- (e) relationships with business partnerships – key business partners include entertainment suppliers (bowling, video games etc.), technology and software companies, real estate development firms, and food and beverage suppliers and distributors.

## **Regulation**

136 FECs and Bowling Centres in the US are required to comply with federal, state and local laws, and are subject to licensing and regulation related to, inter alia:

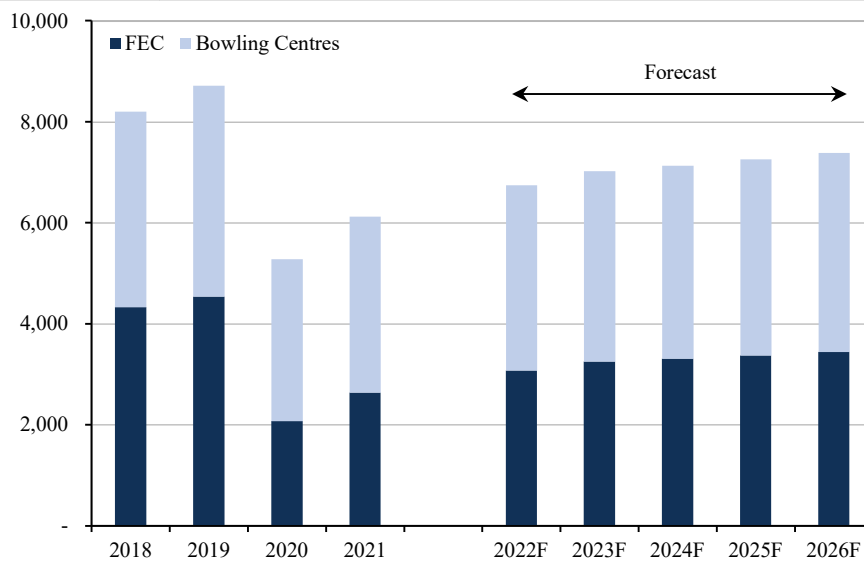
- (a) alcoholic beverage control – FECs and Bowling Centres that serve alcoholic beverages are required to obtain a licence, which are typically renewed annually and may be revoked or suspended for cause at any time due to violations of the terms of the licence. In some states, the loss of a licence at one location may lead to the loss of licences at all locations in that state and could make it difficult to obtain additional licences in that state
- (b) amusement – as a result of operating certain entertainment games and attractions, including skill-based games that offer redemption prizes, FECs are subject to amusement licensing and regulation. These laws and regulations can vary by state and municipality and, in some jurisdictions, may require operators to modify their business operations or alter the mix of redemption games and simulators on offer
- (c) labour – FECs and Bowling Centres are subject to the Fair Labor Standards Act (which governs such matters as minimum wages and overtime), the Americans with Disabilities Act, various family-leave mandates and other federal, state and local laws and regulations that govern working conditions
- (d) health and sanitation – the Affordable Care Act requires FECs and Bowling Centres to comply with federal disclosure requirements, which includes publishing the total number of calories of standard menu items on menus. The Affordable Care Act also permits the Food and Drug Administration to require establishments to make additional nutrient disclosures, such as disclosure of trans fat content. Main Event is also subject to various state, county and local municipality health code regulations
- (e) environment and land use – environmental laws and regulations govern, inter alia, discharges of pollutants into the air and water as well as the presence, handling, release and disposal of and exposure to hazardous substances at commercial properties. FECs and Bowling Centres are also subject to zoning and land use regulation, as well as

building code and fire agencies for the state, county and/or municipality in which they operate.

## Outlook

- 137 Growth in the combined revenue of the FEC and Bowling Centre segments is expected to be some 10.2% in 2022 (in real terms). Thereafter, growth is expected to be relatively modest, with revenue increasing in real terms at a CAGR of 3.8% through to CY26:

**US FEC and Bowling Centres – historical and forecast segment wide revenue**  
US\$m (2021 real terms)



Source: IBISWorld, *Arcade, Food & Entertainment Complexes in the US*, dated August 2021; *Bowling centres in the US*, dated September 2021.

- 138 Whilst consumer sentiment and OOHE spending has rebounded post-COVID-19, the combined revenue of the FEC and Bowling Centre segments is not, over the forecast period, expected to return to the pre-pandemic peak experienced in CY19 (notwithstanding some industry participants, such as Main Event, have experienced significant same store growth and are currently generating revenues that materially exceed pre-COVID-19 levels). This is largely due to a number of FEC operators experiencing financial difficulties during the COVID-19 lockdown period, with some forced to permanently close a number of venues<sup>75</sup>. A number of Bowling Centres that are not geared towards the young adult and family casual bowler markets are also expected to close.
- 139 Those FEC and Bowling Centre operators that have outperformed peers over the past two years may be well positioned to increase their market share by expanding into regions previously dominated by their competitors. In addition, FEC and Bowling Centre operators may have the potential to steal market share from operators in adjacent OOHE segments (such

<sup>75</sup> For example, CEC Entertainment filed for Chapter 11 bankruptcy in June 2020, citing significant revenue losses due to temporary lockdowns, which also caused the company to permanently close around 34 stores across the US. Source: USA Today, *Chuck E. Cheese parent company to close 34 locations permanently: Is your location on the store closings list?*, 26 June 2020.



as movie theatre operators) which were more significantly impacted by the COVID-19 pandemic and are expected to experience relatively low rates of recovery in revenue.

### **US inflation and interest rates**

- 140 The US economy is experiencing levels of inflation not seen for over 40 years<sup>76</sup>. Russia's invasion of Ukraine exacerbated already high global food and energy prices and extreme COVID-19 lockdowns in China worsened existing supply shortages. US consumers, many of whom have never experienced high rates of inflation, are under increasing stress to cover broad based cost increases in groceries, gasoline, rent and other necessities<sup>77</sup>. Service prices are also increasing rapidly, as rents climb and the tightest US labour market in nearly a half a century results in higher wages and higher prices for restaurant meals and other labour intensive purchases<sup>78</sup>. Nonetheless, wages are failing to keep pace with inflation, with real average hourly earnings declining 2.6% over the 12 months to April 2022<sup>79</sup>, reducing the total real disposable income of US consumers.
- 141 In response to persistently high inflation, the Federal Reserve implemented its first 0.5% rate rise in over two decades in May 2022 and indicated further 0.5% increases over the coming months were likely<sup>80</sup>. As the Federal Reserve begins an interest rate hiking cycle<sup>81</sup>, a greater share of consumer and business income will be allocated to servicing interest payments<sup>82</sup>, weighing on business and consumer spending and raising the risk of the US economy falling into recession. Heightened recession risks weigh on US consumer confidence, impacting consumers' willingness to spend as they become increasingly cautious. If a recession were to occur, restrained spending by businesses and consumers could slow hiring or even lead to redundancies, which may result in consumers reducing discretionary expenditure as they grow fearful of losing their job<sup>83</sup>.
- 142 Faced with a reduction in real purchasing power due to falling real wages, as well as a potential economic slowdown and associated job security fears, US consumers going forward may reduce their level of discretionary expenditure on services such as those provided by OOHE industry operators.

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<sup>76</sup> Inflation for the 12 months ended April 2022 increased 8.3%, which was slightly down from the March 2022 peak of 8.5%. Source: US Department of Labor, *Consumer price index – April 2022 news release*, dated 11 May 2022.

<sup>77</sup> The food index increased 9.4%, representing the largest 12 month increase since 1981, while the energy index rose 30.3% over the year due to all the major energy index components increasing, with gasoline prices and electricity prices increasing 43.6% and 11.0% respectively. Source: US Department of Labor, *Consumer price index – April 2022 news release*, dated 11 May 2022.

<sup>78</sup> New York Times, *Consumer prices are still climbing rapidly*, dated 11 May 2022.

<sup>79</sup> US Bureau of Labor Statistics, *Real earnings summary*, dated 11 May 2022.

<sup>80</sup> Board of Governors of the Federal Reserve System, *Transcript of Chair Powell's press conference*, dated 4 May 2022.

<sup>81</sup> Bloomberg, *Highest inflation in America is punishing a Texas town and its residents*, dated 11 May 2022.

<sup>82</sup> The average 30 year fixed housing mortgage jumped from 2.98% over a year ago to above 5.0%. Source: Washington Post, *Mortgage rates are rising, but the hot housing market is slow to cool*, dated 3 May 2022.

<sup>83</sup> ABC News, *Recession fears grow. But how high is the risk?*, dated 10 May 2022.

## **V Valuation methodology**

### **Valuation approaches**

- 143 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 144 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 145 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 146 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax and amortisation (EBITA), EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.
- 147 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the

proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

## **Methodologies selected**

- 148 The market value of Main Event (on a cash and debt free basis) has been assessed by aggregating the market value of its business operations (on a "control" basis), together with the realisable value of any surplus assets / (liabilities).
- 149 The valuation of Main Event's business operations has been undertaken on the basis of market value as a going concern, defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length within a reasonable timeframe.
- 150 The DCF methodology has been adopted as the primary method to determine the market value of Main Event's business operations. The key reasons for adopting this method are:
  - (a) Main Event management have forecast considerable ongoing growth in earnings (stemming from, inter alia, full year earnings contributions from centres recently added to the Main Event network<sup>84</sup>, the business being highly leveraged to the ongoing post COVID-19 recovery in the US economy and the continued rollout of new centres)
  - (b) financial forecasts for the short-to-medium term have been prepared by Main Event management, which we have reviewed in detail
  - (c) relative to other valuation approaches, the DCF methodology more accurately measures the quantum and timing of the forecast post-COVID recovery and planned ongoing expansion of the business.
- 151 As a cross-check of our assessed value of Main Event, we have considered the reasonableness of the EBITDA multiples implied by our adopted DCF valuation range.

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<sup>84</sup> New centres in Chesterfield, Huntsville, Waco and Tomball were opened in September 2021, February 2022, March 2022 and April 2022 respectively. In addition, on 3 March 2022, Main Event completed the acquisition of three standalone FECs operating under the "Summit" brand.

## **VI Valuation of 100% of Main Event**

### **Overview**

- 152 As stated in Section V, the market value of Main Event (on a cash and debt free basis) has been assessed by aggregating the market value of its business operations (on a “control” basis), together with the realisable value of any surplus assets / (liabilities).
- 153 The valuation of Main Event’s business operations has been undertaken on the basis of market value as a going concern, defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length within a reasonable timeframe.
- 154 The DCF methodology has been adopted as the primary method to determine the market value of Main Event’s business operations. As a cross-check, we have considered the reasonableness of the EBITDA multiples implied by our adopted DCF valuation range.

### **DCF valuation**

- 155 Under the DCF methodology, the market value of Main Event’s business operations is equal to the NPV of the estimated future cash flows including a terminal value (TV). In order to arrive at the NPV, the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

### **Cash flow projections**

- 156 Our DCF valuation is based upon a simplified, high level financial model of Main Event’s operations developed by LEA (DCF Model). In summary, the DCF Model:
- (a) allows the key drivers of revenue and earnings to be modelled and sensitised
  - (b) projects nominal operating cash flows on an ungeared basis (i.e. before interest)<sup>85</sup> less taxation payments<sup>86</sup>, capital expenditure and working capital requirements. The cash flow projections cover the 10-year period from 1 July 2022 to 30 June 2032 (Forecast Period) and include a TV at the end of the Forecast Period; and
  - (c) models a number of different cash flow scenarios (which are outlined below) that illustrate the sensitivity of the NPV outcome to changes in key assumptions.
- 157 The DCF Model was developed by LEA having regard to, inter alia, the cash flow projections prepared by Main Event and its advisers and related discussions with Main Event management. Main Event’s cash flow projections represent an amalgamation of the 4-Wall EBITDA<sup>87</sup> projections for Main Event’s centres (which have been grouped into various sub-categories based on centre opening dates), together with estimates for overhead costs and

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<sup>85</sup> Projecting cash flow on an ungeared basis is adopted to enable the value of the business operations to be determined irrespective of the level of debt funding employed.

<sup>86</sup> Also calculated on an ungeared basis.

<sup>87</sup> 4-Wall EBITDA represents the individual centre contribution after an allowance for marketing and rent but before district and other support overhead costs.

capital expenditure requirements. A general description of Main Event's individually projected components follows:

- (a) **Main Event Centre 4-Wall EBITDA** – represents the aggregated 4-Wall EBITDA contribution from Main Event's centres comprising:
  - (i) **Constant Centres** – the financial performance projections of the 40 Main Event centres that have been operational since July 2018 (i.e. the start of FY19)
  - (ii) **Non-constant Centres** – the combined financial performance projections of the four Main Event centres that opened between FY19 and FY21
  - (iii) **New Centre Openings** – the estimated contributions from new Main Event centre openings targeted for FY22 and beyond
  - (iv) **Summit Centres** – the financial contribution from the three Summit centres located in the Denver / Colorado Springs region that were acquired by Main Event on 3 March 2022
- (b) **Overhead costs** – represents the estimated level of operational, district and support centre overhead costs required to support Main Event's existing and targeted new centre openings (which primarily relate to salaries for management and other support staff)
- (c) **Capital expenditure** – represents the capital expenditure associated with new centre openings targeted in FY22 and beyond, as well as the ongoing maintenance (and other) capital expenditure requirements of the existing Main Event centres more generally.

158 LEA has undertaken a detailed review of each of the individual components modelled by Main Event and its advisers to satisfy itself that the forward looking information was prepared on a reasonable basis and is therefore sufficiently reliable for the purposes of developing the DCF Model. Our review included (but was not limited to):

- (a) discussions with Main Event management regarding the business' financial performance, operating environment and prospects as well as the financial modelling process adopted
- (b) detailed analysis of the key assumptions which underpin the cash flow projections prepared by Main Event and its advisers and (where possible) comparison of the assumptions and projections against the historic performance achieved by Main Event. Examples of the types of analysis undertaken include:
  - (i) in respect of Main Event centre revenue:
    - analysis of the historic revenue generated by individual Main Event centres and the level of variation experienced across the Main Event network
    - comparison of the historic trend in new centre revenues in the 12 month period post opening versus those achieved over the medium term (i.e. some 24 to 36 months post opening)
    - analysis of the historic growth in same centre sales across various cohorts of centres
  - (ii) analysis and comparison of historic operating expenses (in particular labour expenses) for individual centres as well as the broader centre portfolio relative to

centre revenues and the impact of operating leverage on centre 4-Wall EBITDA margins

- (iii) comparison of historic capital expenditure incurred on new centre openings relative to management estimates for future centres.

159 Based upon the above, nothing came to our attention that would indicate that the projections prepared by Main Event and its advisers could not be relied upon for the purposes of developing the DCF Model. That said, it should be noted that in respect of both Main Event's projections and those implicit in the DCF Model:

- (a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions, noting that there remains continuing uncertainty regarding the severity and duration of COVID-19 and associated trading, travel and social distancing restrictions. There is also uncertainty regarding customers' propensity to return to (or continue to use) Main Event's centres in the event of a resurgence in COVID-19 case numbers
- (b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions
- (c) future profits and cash flows are inherently uncertain
- (d) the achievability of the projections is not warranted or guaranteed by Main Event or LEA, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of Main Event and its management
- (e) actual results may be significantly more or less favourable.

160 As the detailed cash flow projections are commercially sensitive they have not been set out in our report. However, information on the major assumptions underlying the free cash flow projections implicit in the DCF Model is set out below.

### Main Event centre revenue

161 The NPV outcomes of the DCF Model are highly sensitive to the revenue that is assumed to be achieved (on a per centre basis) in FY23. This is because FY23 is used as a "baseline" from which all future revenue is projected over the Forecast Period. Given the inherent ongoing uncertainty associated with COVID-19 and potential change in recently observed consumer walk-in and spending trends<sup>88</sup>, in our opinion, it is appropriate to consider a range of scenarios which demonstrate the potential valuation outcomes of the Main Event business at different levels of assumed average centre revenue for FY23 and over the longer term. Accordingly, for the purposes of our DCF valuation we have considered the following scenarios<sup>89</sup>:

- (a) **Scenario A (Base Case)** – average revenue per centre of US\$8.2 million in FY23 which is estimated to increase at 2.5% thereafter over the Forecast Period

<sup>88</sup> Noting the increase in these trends started around March 2021.

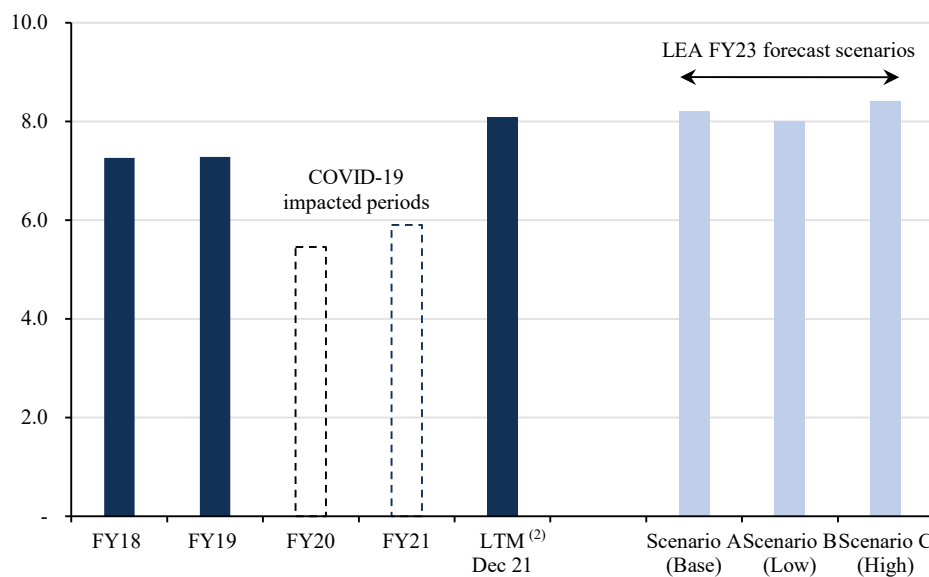
<sup>89</sup> In respect of the 40 Constant Centres.



- (b) **Scenario B (Low Case)** – average revenue per centre of US\$8.0 million in FY23 which is estimated to increase at 2.5% thereafter over the Forecast Period
- (c) **Scenario C (High Case)** – average revenue per centre of US\$8.4 million in FY23 which is estimated to increase at 2.5% thereafter over the Forecast Period.

162 A visual comparison of our adopted average centre revenue relative to recent average centre performance is set out below:

**LEA adopted average constant centre revenue – FY23 (US\$m)<sup>(1)</sup>**



**Note:**

- 1 Reflects the average revenue of Main Event's 40 Constant Centres which have operated since the start of FY19 with the exception of FY18 which reflects the average of the 35 Main Event centres which operated throughout the entire FY18 period.
- 2 Based upon unaudited management accounts.

163 As indicated above, the financial performance of Main Event in FY20 and FY21 was significantly impacted by the COVID-19 pandemic, noting a number of Main Event centres were either temporarily closed or operating at significantly reduced capacity during this period. However, same centre revenue has significantly improved in the more recent period to date, driven primarily by strong walk-in performance and average spend per customer. As a result, current same store centre revenue materially exceeds pre-COVID-19 levels. It should be noted that average centre revenue is expected to be higher in FY22 than that depicted above for LTM Dec 21, primarily due to a full year impact of the increased walk-in and spending trends which have existed from March 2021 onwards.

164 We note that since 2018, Main Event has established a new management team with proven experience in multi-unit brands and site openings which included the appointment of Mr Chris Morris as Chief Executive Officer in February 2018. Since then, Main Event management have engaged with a number of consulting firms to better understand the business' target customers and market and have implemented a number of new initiatives, including:

- (a) launch of a new brand identity during 1H20 supported by a refreshed creative and enhanced media strategy



- (b) redefined real estate strategy with a focus on major and regional shopping areas, high density markets and trade areas and a focused approach to saturation and competition mapping to ensure the business understands all competitors within targeted markets and the overall appetite for FECs
- (c) focus on walk-in traffic building strategies and growth of event business (including birthday parties) through investments in sales teams and enhanced guest experience
- (d) refined service model and investment in guest-facing technology
- (e) improvements to the menu and food and beverage offerings more generally.

165 Notwithstanding the immediate benefits from a number of these initiatives were disrupted as a result of the COVID-19 outbreak, we attribute part of Main Event's recent centre outperformance to these strategies and initiatives, noting significant same-store sales growth has largely been maintained since March 2021.

166 Having regard to the above, our adopted FY23 baseline revenue broadly reflects:

- (a) at the lower end (i.e. Scenario B), a reduction in revenue from current levels (particularly, estimated revenue for FY22) attributable to inter alia, normalisation in walk-in sales volumes and average customer spend. Nevertheless, we note that our Scenario B still reflects an adopted level of revenue that is approximately 10% higher than FY19 (being the last full financial year unaffected by COVID-19)
- (b) at the higher end (i.e. Scenario C), a level of revenue that assumes recent walk-in sales and average customer spend will slightly retract but remain broadly comparable to recent experience, underpinned by recent management initiatives. In this respect we note that a recovery in corporate revenues (which remain significantly below pre-COVID-19 levels) may partially offset any reduction in walk-in sales from current levels.

167 In addition to the above, we set out below further details in relation to the other key assumptions that underpin our Scenario A (Base Case).

### **Base Case and alternate scenario assumptions**

168 In undertaking our DCF analysis, we have considered the following key assumptions under Scenario A (Base Case):

<b>Scenario A</b>	
<b>Driver</b>	<b>Assumption</b>
Average centre revenue	<ul style="list-style-type: none"> <li>As outlined at paragraph 161 above for Main Event's 40 Constant Centres</li> <li>Broadly consistent revenue and growth for the four Non-Constant Centres</li> </ul>
Gross margin	<ul style="list-style-type: none"> <li>Gross margins of 87.0% which is consistent with the recent historical experience across the centre network</li> </ul>
Labour expense	<ul style="list-style-type: none"> <li>Comprises a combination of hourly labour (which has been estimated based on a broadly constant percentage of net sales), management labour (which is largely fixed and has been estimated based on an assumed level of annual growth of around 3.0% per annum, which is marginally higher than the assumed revenue growth rate given current inflationary pressures) and other remuneration which reflects a combination of the two (i.e. partially fixed and partially variable)</li> </ul>

<b>Scenario A</b>	
<b>Driver</b>	<b>Assumption</b>
Other operating expenses	<ul style="list-style-type: none"> <li>Comprise a combination of variable and fixed expenses: <ul style="list-style-type: none"> <li>variable expenses, such as marketing expenses and credit card fees, have been modelled as a percentage of net sales (based on historic averages)</li> <li>fixed expenses, such as utilities, insurance and rent expenses have been estimated based on an assumed level of annual growth which broadly range from 2.0% to 3.0% per annum</li> <li>other operating expenses which are partially fixed and partially variable have been estimated on a similar basis to that indicated above for the respective variable and fixed components</li> </ul> </li> </ul>
4-Wall EBITDA margins	<ul style="list-style-type: none"> <li>We have cross checked the 4-Wall EBITDA margins implied by our cash flow projections for reasonableness (pre-district and operational overheads, support centre costs and synergies). In this regard we note that the average EBITDA margin for our Scenario A is some 28.4% over the Forecast Period which we consider reasonable having regard to historic 4-Wall EBITDA margins in conjunction with our expected centre revenue</li> </ul>
District and operational overheads and support centre expenses	<ul style="list-style-type: none"> <li>District and operational overheads have been estimated to grow broadly in line with the number of centres across the Main Event network</li> <li>Support centre expenses are expected to increase at approximately half the increase in the number of centres across the Main Event network</li> </ul>
Estimated synergies	<ul style="list-style-type: none"> <li>We have allowed for some US\$10 million of synergies, the full run rate of which is expected to be achieved after two years<sup>(1)</sup></li> <li>Implementation costs to achieve synergy benefits has been estimated at some US\$10 million (i.e. equal to one year of synergy benefits)</li> </ul>
New centre openings	<ul style="list-style-type: none"> <li>Seven new centres openings per annum over the Forecast Period which is broadly consistent with historical experience<sup>(2)</sup> and within Management's targeted range (of six to eight)</li> <li>Average revenue and 4-Wall EBITDA margins for new centres is estimated to be broadly consistent with Main Event's existing Constant Centres</li> </ul>
Capital expenditure	<ul style="list-style-type: none"> <li>Capital expenditure and pre-opening expenses incurred on the construction of new centres has been estimated based on an assumed average cost per centre that is broadly consistent with recent experience</li> <li>Maintenance and other capital expenditure has been estimated around 4.0% of net sales for existing centres, with new centres expected to benefit from a honeymoon period of approximately two years before incurring these expenses</li> </ul>
Depreciation and tax	<ul style="list-style-type: none"> <li>Depreciation has been estimated on a diminishing value basis at depreciation rates consistent with management forecasts</li> <li>Company tax has been allowed for based on the level of projected taxable income (after allowing for carried forward tax losses and the potential tax benefit associated with the payment of the Main Event LTIP) at an assumed total corporate tax rate of 30%.</li> </ul>
Working capital	<ul style="list-style-type: none"> <li>As set out in Section III, Main Event operates with a negative net working capital position. For the purposes of our DCF valuation, we have allowed for negative working capital equal to (5.0%) of net sales, which is broadly consistent with the targeted working capital under the Proposed Transaction<sup>(3)</sup></li> </ul>

**Note:**

- 1 This broadly reflects an allowance for half of the US\$20 million of the store support centre consolidation and supply-chain efficiency synergies expected to be achieved by Dave & Buster's within the first two years post completion (i.e. a 50:50 sharing of the synergy benefits).
- 2 Over the five-year period from FY14 to FY19 (i.e. pre-COVID-19), Main Event's network increased from some 14 to 42 centres.
- 3 The Proposed Transaction is subject to a "Working Capital Peg", which as at the date of the announcement, was equal to US\$22.5 million for the then existing 50 Main Event Centres (including Summit).

169 LEA has also considered the impact of alternative assumptions for the key business drivers to provide some indication of the sensitivity of the NPV outcome to changes in those assumptions. For instance, other than centre revenue, the NPV outcome is particularly sensitive to the assumptions regarding the number of new centre openings, noting that the incremental earnings from new centre openings represents approximately 63% of Scenario A 4-Wall EBITDA by the end of the Forecast Period. The adopted scenarios have been developed in consultation with Main Event management. It should be noted that the scenarios do not (nor do they purport to) represent the range of potential outcomes (i.e. there is a wide range of potential outcomes outside these scenarios). They are simply theoretical indicators of the sensitivity of the NPV to the alternative assumptions adopted.

170 A description of each of the additional scenarios is outlined in the table below.

Main Event – DCF scenario assumptions	
Scenario	Description
Scenario A	As described above
Scenario A(i)	Scenario A except average centre revenue growth is some 0.25% higher per annum over the Forecast Period post-FY23
Scenario A(ii)	Scenario A except average centre revenue growth is some 0.25% lower per annum over the Forecast Period post-FY23
Scenario A(iii)	Scenario A except capital expenditure on new centres is some 10% higher
Scenario A(iv)	Scenario A except eight new centre openings per annum post-FY24
Scenario A(v)	Scenario A except six new centre openings per annum post-FY24
Scenarios B to B(iv)	Same as corresponding Scenario A (and its sub-variants) except: <ul style="list-style-type: none"> <li>• Constant Centre average centre revenue is US\$8.0 million per annum in FY23</li> <li>• Average 4-Wall EBITDA margin of 27.7% over the Forecast Period</li> </ul>
Scenarios C to C(iv)	Same as corresponding Scenario A (and its sub-variants) except: <ul style="list-style-type: none"> <li>• Constant Centre average centre revenue is US\$8.4 million per annum in FY23</li> <li>• Average 4-Wall EBITDA margin of 29.0% over the Forecast Period</li> </ul>

**Discount rate and TV**

171 An after corporate tax discount rate of 14.0% per annum has been applied for the reasons set out in Appendix C.

172 For the purposes of calculating our TV, we have adopted a forecast exit EBITDA multiple of some 7.0 times which we consider reasonable having regard to, inter alia:

- (a) the higher level of EBITDA per centre implicit in the terminal period earnings

- (b) the assumed increase in market penetration from new centres added over the Forecast Period (by both Main Event and other industry participants more generally).

173 As a cross-check, we have also considered the implied TV based on:

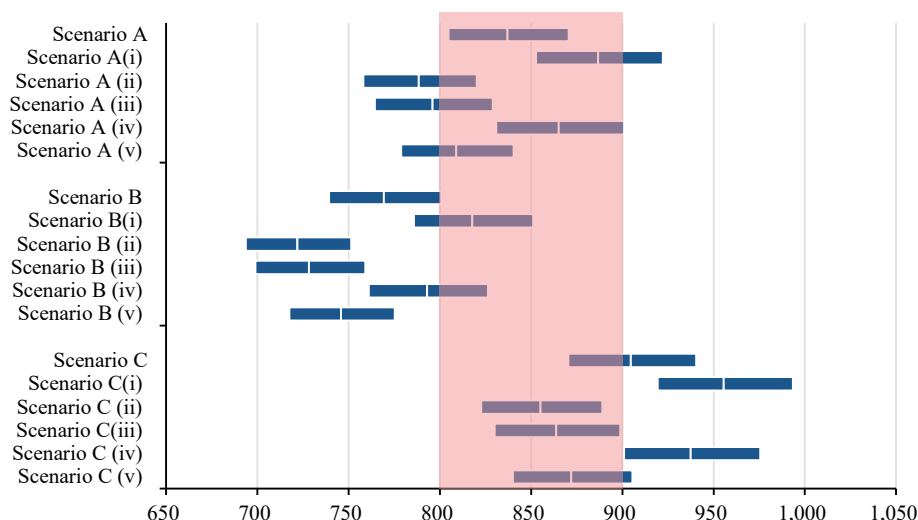
- (a) the free cash flow of the existing centre network at the end of the Forecast Period (i.e. excluding any further earnings from new centres or associated capital expenditure) and an assumed terminal growth rate of 3.5% per annum
- (b) an extrapolation of the cash flow projections for a further 10-year period, with a TV calculated at the end of that period using the same methodology as (a) above adopting a slightly lower terminal growth rate of 2.5%.

174 We note that the implied TV calculated for each of the above approaches results in a similar TV to our adopted exit multiple approach. Accordingly, we consider our adopted TV based on our adopted exit multiple to be reasonable.

### Valuation outcomes and value range adopted

175 The NPV outcomes of the scenarios are depicted below relative to LEA's assessed valuation range:

**Main Event – NPV outcomes by scenario (US\$m)<sup>(1)(2)</sup>**



**Note:**

- 1 The low and high of our assessed valuation range is represented by the pink shaded area.
- 2 The low and high value range of each scenario reflects the adoption of a discount rate of 13.5% to 14.5% respectively. The white line represents the NPV outcome for each scenario based on the mid-point of our discount rate range.

176 In respect of the valuation outcomes above, we note that:

- (a) Scenario C (and its sub-variants) exhibit a greater degree of risk than Scenarios A and B (and their sub-variants) due to the higher sustained centre revenues and higher estimated EBITDA margins. Accordingly, in our opinion, this scenario should attract a discount rate that is toward the higher end rather than the bottom end of our assessed range. In other words, the low-to-mid end of the valuation ranges for Scenario C are considered

by us to be more credible than the high end of the valuation range (and vice versa for Scenario B and to a lesser extent Scenario A)

- (b) sub-variants (i) and (ii) reflect the impact of a change in the annual revenue growth rate achieved by Main Event individual centres over the Forecast Period. In our opinion, there is, on balance, more downside than upside risk in relation to our adopted level of same centre revenue growth due to the compounding effects over the Forecast Period, particularly given our adopted level of same centre revenue in FY23 across each of Scenarios A, B and C reflects historical highs and exceeds pre-COVID-19 levels. Accordingly, we consider less emphasis should be placed on the NPV outcomes of sub-variant (i)
- (c) sub-variant (iii) reflects the potential impact of increased capital costs associated with new centre openings, which may arise due to the impact of inflation on building costs
- (d) sub-variants (iv) and (v) reflect the impact of a change in the number of new centre openings added to the Main Event network over the Forecast Period ranging from six to eight new centre additions per annum. We note that the historical level of new centre additions achieved by Main Event (pre-COVID-19) is towards the lower end of this range
- (e) the NPV outcomes above are based on an assumed tax rate of 30%. We note that if our adopted tax rate was lower (e.g. 25%) the NPV values would generally increase by around some US\$60 million to US\$70 million.

177 We have also considered the impact of changes to a number of other assumptions. While we have not set out the results of these other variations (due to their complexity), we note that the resultant range of values are broadly consistent with those (and our adopted valuation range) set out above.

178 After considering the above factors, in LEA's view, the DCF analysis supports an enterprise value for Main Event's business operations (i.e. prior to the allowance for net debt and any non-core or surplus assets / (liabilities)) of between US\$800 million and US\$900 million. This represents the value of the Main Event business on a 100% controlling interest basis.

### **Reasonableness of implied EBITDA multiples**

179 As stated in Section V, as a cross-check on our assessed value of Main Event's business operations, we have considered the reasonableness of the EBITDA multiples implied by our adopted DCF valuation range. In undertaking our cross-check we have:

- (a) initially considered the projected earnings (EBITDA) of Main Event for FY23 and FY24
- (b) based on the projected earnings for those years and our assessed DCF valuation range, derived the EBITDA multiples implied by our valuation
- (c) considered the reasonableness of the implied EBITDA multiple range.

### **EBITDA adopted for valuation cross-check purposes**

180 As noted above, our DCF valuation of Main Event has considered a number of scenarios as regards future operating performance. The range of respective inherent projected earnings (EBITDA) for FY23 and FY24 is set out below:

FY23 and FY24 EBITDA implied by our DCF valuation scenarios		
	EBITDA (US\$m) <sup>(1)</sup>	
	FY23F	FY24F
Scenario A (including sub-variants) – min	88.3	104.0
Scenario A (including sub-variants) – max	88.3	106.0
Scenario B (including sub-variants) – min	82.9	98.2
Scenario B (including sub-variants) – max	82.9	100.1
Scenario C (including sub-variants) – min	93.7	109.8
Scenario C (including sub-variants) – max	93.7	112.0
All scenarios (including sub-variants) – average	88.3	105.0

**Note:**

1 EBITDA excludes estimated synergy benefits and includes the full estimated cash cost of rent.

181 Having regard to the above, we have adopted EBITDA for valuation cross-check purposes of US\$85 million in FY23 and US\$105 million in FY24.

**Implied EBITDA multiples**

182 As noted in our DCF valuation above, we have assessed the enterprise value of Main Event in the range of US\$800 million to US\$900 million. Based on the level of EBITDA adopted for the purpose of the valuation cross-check, this implies the following EBITDA multiples:

DCF valuation – implied EBITDA multiples					
	Paragraph	FY23		FY24	
		Low US\$m	High US\$m	Low US\$m	High US\$m
Assessed enterprise value	178	800.0	900.0	800.0	900.0
EBITDA for cross-check purposes	181	85.0	85.0	105.0	105.0
Implied EBITDA multiple (times)		9.4	10.6	7.6	8.6

**Reasonableness of implied EBITDA multiples**

183 We discuss below the specific factors taken into consideration when assessing the reasonableness of the EBITDA multiples implied by our DCF valuation range.

**Trading evidence**

184 A summary of the implied EBITDA multiples for listed companies primarily engaged in the operation of bowling and/or entertainment centres in the US and the United Kingdom (UK) is set out below<sup>90</sup>:

<sup>90</sup> Given the limited number of US listed operators, we extended our analysis to include listed companies operating in the UK (being a geographic region that shares broadly similar cultural and economic characteristics).



Listed bowling and / or entertainment centre multiples <sup>(1)(2)</sup>									
	Year end	EV <sup>(3)</sup> US\$m	Gearing % <sup>(4)</sup>	EV / EBITDA <sup>(5)(6)</sup>			EBITDA margins <sup>(5)(6)</sup>		
				FY22 x	FY23 x	FY24 x	FY22 %	FY23 %	FY24 %
<b>US operations</b>									
Bowlero	30 Jun	2,973	36.9	10.2	9.6	8.9	34.9	33.0	33.1
Dave & Buster's	31 Jan	2,663	15.4	7.6	6.7	6.2	27.0	24.2	24.2
<b>UK operations</b>									
Hollywood Bowl	30 Sep	453	(13.8)	8.9	8.6	8.1	38.0	36.8	36.4
TEN Entertainment	31 Dec	222	1.4	8.4	7.5	7.0	42.4	42.8	43.0
Brighton Pier	30 Jun	48	21.3	6.1	7.2	na	27.3	24.4	na

**Note:**

- 1 A brief description of each company's operations is set out at Appendix D.
- 2 Enterprise value (EV) and earnings multiples calculated as at 27 May 2022, based upon latest available information. Dave & Buster's EV and multiples as at 5 April 2022 (being the last trading day prior to the announcement of the Proposed Transaction). Round One has been excluded from the table as we were unable to derive reliable (and reasonably comparable) multiples (and margins) due to the company's limited financial disclosures (particularly in relation to International Financial Reporting Standard 16 – *Leases* (IFRS 16)).
- 3 EV includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, market capitalisation adjusted for material option dilution (for the purpose of reducing debt) and excludes surplus assets. For the avoidance of doubt, net debt excludes IFRS 16 liabilities. Foreign currencies have been converted to USD at the relevant exchange rate prevailing as at 27 May 2022.
- 4 Gearing equals net debt (cash adjusted for material option dilution) divided by EV.
- 5 Earnings and margins are based on Bloomberg broker average forecasts (excluding outliers and outdated forecasts).
- 6 It should be noted that the UK operators report on a post-IFRS 16 basis and EBITDA therefore excludes rent expense (the notional cost of rent is instead captured as part of depreciation and amortisation and also within interest expense). We have adjusted the EVs of these UK companies to include capitalised lease liabilities when determining their implied multiples. It should also be noted that the EBITDA margins of the UK companies materially differ to their US counterparts as a consequence of (inter alia) this accounting treatment.

na – not available.

**Source:** Bloomberg, company announcements and LEA analysis.

185 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical evidence from research undertaken in the US and UK<sup>91</sup> indicates that the average premium paid above the listed market price in successful takeovers (i.e. control premium) is around 30% (assuming the pre-bid market price does not reflect any speculation of the takeover)<sup>92</sup>. This broadly translates to a premium of 20% to 25% at the EBITDA multiple or EV level, although this varies depending on the level of debt funding employed in each company.

186 In addition, we note that:

<sup>91</sup> For example, FactSet Mergerstat/BVR Control Premium Study.

<sup>92</sup> This is not inconsistent with empirical research undertaken by LEA which indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover).



- (a) although it is not possible to discern with certainty, it would appear that Bloomberg consensus forecast EBITDA for the UK operators reflects the impact of IFRS 16 (which replaces rent expense with notional depreciation and interest charges). This contrasts with consensus forecast EBITDA for the US operators<sup>93</sup> which includes rent as an operating expense (i.e. is net of rent expense). The difference in accounting treatment makes it difficult to compare EBITDA multiples and margins<sup>94</sup>
- (b) we have adjusted the EV of the UK operators<sup>95</sup> to improve the comparability of their EBITDA multiples with those of the US operators (these multiples are set out in the above table). However, it should be noted that these implied multiples (based on adjusted EV) do not represent the multiples on which the UK operators may have traded in the absence of IFRS 16, only an approximation thereof<sup>96</sup>
- (c) many of the companies do not share the same fiscal year end as Main Event, and the above stated multiples need to be adjusted, or “calendarised”, such that they are based on a 30 June year end for improved comparability. If this adjustment were made, the multiples for those companies with year ends that precede 30 June would be slightly lower, while companies with year ends after 30 June would be slightly higher
- (d) none of the above companies are directly comparable to Main Event and the EBITDA margins (profitability), growth profiles and future capital expenditure requirements vary by company and influence the multiples upon which they trade. In that regard, we note in particular, that relative to Main Event:
  - (i) the Bowling Centre operators appear to have a greater range of available growth strategies including refurbishment of existing centres and expansion of traditional bowling services to also include new games and amusements, which have historically delivered higher cash returns compared to new centre openings
  - (ii) in comparison to Main Event, Dave & Buster’s has a higher degree of exposure to states in the west and northeast of the US (that imposed more restrictive and prolonged COVID-19 measures) and its offering is targeted toward the adult demographic (rather than families)
  - (iii) each of the above companies, other than Brighton Pier, generate a relatively consistent proportion of revenue from amusement / entertainment services and food and beverage<sup>97</sup>
- (e) the multiples are based on closing share prices at a point in time and are not necessarily representative of the range of multiples that the companies trade on over time (refer below).

### ***Listed company multiples over time***

187 We set out below the one and two year forward EBITDA multiples (based upon average analyst forecasts sourced from Bloomberg) for the listed operators of bowling and/or

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<sup>93</sup> Which report under US Generally Accepted Accounting Principles.

<sup>94</sup> We note that after adjusting the historic EBITDA margins of the UK operators to include lease payments as an operating expense their margins are broadly comparable to the EBITDA margins of the US operators.

<sup>95</sup> By adjusting the EVs of the UK operators to include capitalised lease liabilities when determining their implied multiples.

<sup>96</sup> Due to likely differences in the operator’s underlying EBITDA multiple and the multiple implicit in the capitalised lease liabilities.

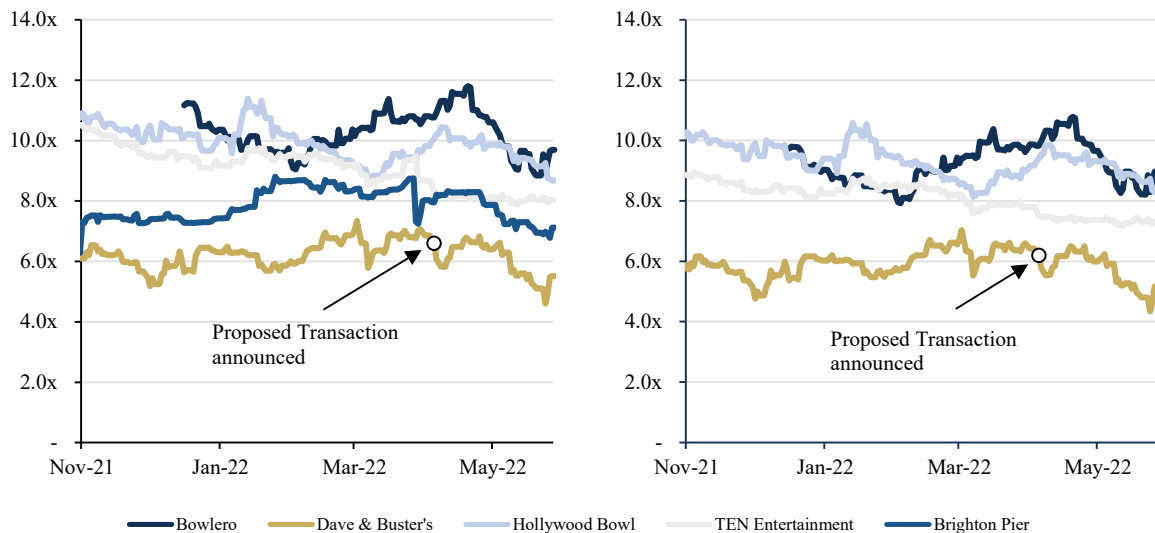
<sup>97</sup> Food and beverage generally accounts for 25% to 30% of revenues for these companies.

entertainment centres in the US and UK over the period 1 November 2021 to 27 May 2022 (being a period of approximately seven months prior to the date of this report):

**One and two-year forward EBITDA multiples – 1 November 2021 to 27 May 2022**

**One-year forward EBITDA multiples<sup>(1)(2)</sup>**

**Two-year forward EBITDA multiples<sup>(1)(2)(3)</sup>**



**Note:**

- 1 The multiples of the UK operators are based upon an adjusted EV which includes capitalised lease liabilities. These implied multiples (based on adjusted EV) do not represent the multiples upon which the UK operators may have traded in the absence of IFRS 16, only an approximation thereof.
- 2 Bowlero did not commence trading on the New York Stock Exchange (NYSE) until 16 December 2021.
- 3 There is insufficient data to enable a two year forward multiple to be calculated for Brighton Pier.

**Source:** Bloomberg and LEA analysis.

188 In respect of the above, we note that:

- (a) the EBITDA multiple trading ranges for Dave & Buster's and Hollywood Bowl have returned to levels that are not dissimilar to those observed prior to the impact of the COVID-19 pandemic. The multiples for TEN Entertainment and Brighton Pier remain at elevated levels<sup>98</sup>. Bowlero was not listed prior to the COVID-19 pandemic
- (b) as noted above (refer paragraphs 186(a) and (b)), the multiples of the UK operators (which are based upon an adjusted EV) represent only an approximation of the multiples they may have traded on in the absence of IFRS 16 and are therefore not directly comparable to the multiples of the US operators
- (c) each of the companies have generally traded within relatively narrow one-year forward EBITDA multiple ranges, except for TEN Entertainment which trended downward. In that regard we note:
  - (i) since listing, Bowlero has generally traded within a one-year forward EBITDA multiple range of between 9.0 and 11.0 times (with an average of 10.3 times). This is a higher range than that observed for Dave & Buster's over the period set out above, which was generally between 5.0 and 7.0 times (and averaged 6.2 times)<sup>99</sup>.

<sup>98</sup> Although the more recent trading in TEN Entertainment overlaps with the high end of its pre-COVID-19 pandemic range.

<sup>99</sup> Noting that the Proposed Transaction appears not to have had any material impact upon either Dave & Buster's one or two-year forward multiple.

As noted above, this is likely attributable to Bowlero having a greater range of available growth strategies including refurbishment of existing centres and expansion of service offerings to include new games and amusements, which have historically delivered higher cash returns than new centre openings<sup>100</sup>

- (ii) Hollywood Bowl's trading range is broadly consistent with that of Bowlero
- (iii) Brighton Pier generally traded within 7.5 and 8.5 times (average of 7.9 times). However, this should be treated with a degree of caution as the stock had limited analyst coverage over the observed period (i.e. was covered by only a single, not multiple analysts)
- (d) the two-year forward EBITDA multiples are not materially lower than the comparable one-year forward EBITDA multiples, implying only relatively modest year on year rates of growth (in the near term).

### ***Transaction evidence***

#### ***RedBird transaction***

- 189 In June 2020, Ardent Leisure announced that RedBird had acquired a 24.2% (preferred equity) interest Main Event for US\$80.0 million, valuing Main Event at an implied EV of US\$424.0 million. The implied EBITDA multiple based on LTM December 2019 adjusted EBITDA was 8.0 times.
- 190 In conjunction with its initial investment in Main Event, RedBird was granted an option to increase its equity interest to a maximum 51% controlling interest. The Call Option was exercisable by RedBird at any time between 30 June 2022 and 1 July 2024, however, in connection with the Proposed Transaction, RedBird has agreed not to exercise the Call Option for so long as the Merger Agreement remains in effect<sup>101</sup>. The exercise price of the Call Option is based on 9.0 times normalised LTM pro-forma EBITDA, less net debt and other adjustments (and is subject to a minimum option equity value of US\$251 million)<sup>102</sup>.
- 191 As normalised LTM pro-forma EBITDA for the purpose of the Call Option exercise includes a pro-forma adjustment for full year earnings of new centres, it does not represent what would traditionally be defined as an historic multiple (i.e. it captures some growth). Instead it represents a partial, but not full, forward multiple (as the EBITDA does not incorporate any allowance for growth in the earnings of the other centres).

#### ***The Summit***

- 192 On 3 March 2022, Main Event announced that it had acquired three stand-alone family entertainment centres in the Denver / Colorado Springs markets. "The Summit" branded centres provide a variety of entertainment activities and facilities including bowling, laser tag,

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<sup>100</sup> From FY14 to FY19 Bowlero's return on investment (ROI) for new games and amusements was 66%, followed by a 37% ROI on existing centre conversions. New centres had the lowest ROI at 31%.

<sup>101</sup> Provided that the time for exercising the Call Option will be extended beyond the original deadline of 1 July 2024 if the Merger Agreement is terminated, by one-half of the total number of days during which the Merger Agreement remains in effect and has not been terminated.

<sup>102</sup> The multiple would reduce to 8.0 times if it were not possible for Main Event to obtain certain change of control consents from its debt provider, or complete a debt refinancing on no less favourable terms.

games room with arcade games, billiards tables, meeting rooms and party rooms in addition to casual dining facilities with full bars.

- 193 The total purchase price (net of sale and leaseback proceeds) for the business was approximately US\$26 million. The business' total 4-Wall EBITDA based on LTM December 2021 revenues of some US\$424 million was estimated at US\$6.0 million<sup>103</sup>, implying an EBITDA multiple of 4.3 times.

*Other transaction evidence*

- 194 Transaction evidence concerning US based bowling and/or entertainment centres is relatively limited because operators in the sector tend to grow organically, rather than via acquisition<sup>104</sup>.
- 195 That said, we have identified a number of relevant transactions (with implied EVs in excess of US\$250 million) for which multiples can be derived based upon publicly available information. A summary of the EBITDA multiples implied by those transactions follows:

Transaction evidence – US based bowling and/or entertainment centres <sup>(1)(2)</sup>					
Date <sup>(3)</sup>	Target	Principal activity	EV <sup>(4)</sup> US\$m	EV / EBITDA	
				Historic x	Forecast x
Jul 21	Bowlero	Bowling venues	2,616	10.7	9.5 <sup>(5)</sup>
Oct 20	Topgolf	Sports entertainment	2,541 <sup>(6)</sup>	nm	17.9 <sup>(6)</sup>
Apr 19	CEC Entertainment <sup>(7)</sup>	Entertainment and dining venues	1,410	8.1	7.5
Jun 17	Bowlmor AMF	Bowling venues	1,867 <sup>(8)</sup>	16.0 <sup>(8)</sup>	13.2 <sup>(8)</sup>
Jul 14	Brunswick bowling centres	Bowling venues	270	7.7	6.4 <sup>(9)</sup>
Jan 14	CEC Entertainment	Entertainment and dining venues	1,290	7.6	7.2 <sup>(10)</sup>
May 10	Dave & Buster's	Entertainment and dining venues	574	6.9	na

**Note:**

- 1 Excludes transactions with implied EVs of less than US\$250 million.
  - 2 A brief description of each transaction and each target company's operations is set out at Appendix E.
  - 3 Date of announcement.
  - 4 Implied value of an acquisition of 100% if transaction does not already involve an acquisition of 100%. Foreign currencies have been converted to USD at the exchange rate prevailing as at the date of announcement.
  - 5 Forecast based on CY22 estimate. Multiple based on FY22 estimated EBITDA was 10.7 times.
  - 6 EV and multiple are indicative only as they are based upon the pre-transaction value attributed to Topgolf by Callaway (an EV based upon post announcement trading in Callaway shares is likely to be higher, albeit this will be higher than other offers received by Topgolf during negotiations with Callaway). Forecast multiple based upon CY22 estimate.
  - 7 Transaction was proposed but did not proceed to completion.
  - 8 Financial terms were not disclosed and the EV and EBITDA multiples are based upon press speculation as to purchase price being "more than US\$1 billion", for a "77.5%" interest and the company having debt of some US\$577. However, it remains uncertain as to whether the US\$1 billion relates specifically to the 77.5% interest acquired, or the US\$1 billion represents the implied value of 100% of the equity based upon the price paid for the interest acquired. EBITDA is based upon actual EBITDA for FY16 and FY17.
  - 9 Based upon actual results for the year ended 30 June 2015 which may differ from the forecast at the time of the transaction (and may include an element of the post-transaction synergy benefits).
  - 10 Based upon consensus estimated EBITDA for next 12 months.
- na – not available. nm – not meaningful.

**Source:** Company announcements, press commentary and LEA analysis.

<sup>103</sup> Being an expected pro forma 4-Wall EBITDA margin of approximately 25% including cash rent.

<sup>104</sup> And when acquisitions occur, they tend to be relatively small and financial terms are not disclosed.

196 In relation to the transaction evidence, it should be noted that:

- (a) none of the target companies are directly comparable to Main Event and the transactions occurred in different economic climates to those prevailing today. The transaction evidence should therefore be considered a broad guide only
- (b) the Bowlero transaction effectively represented an IPO, not a control transaction. In our view, this evidence has been superseded by subsequent trading in the company (refer to trading multiple evidence from above)
- (c) Topgolf was merged with (not acquired by) Callaway and upon completion, the respective shareholder bases were expected to own some 51% and 49% of the merged entity respectively. It should also be noted that Topgolf was considered an early stage business with very strong growth potential<sup>105</sup>. Topgolf also had a media business and owned a number of technology assets (e.g. Top Tracer). In our view, this transaction has limited relevance for Main Event
- (d) the CEC Entertainment transaction from 2019, like the Bowlero transaction, effectively represented an IPO, not a control transaction, and should therefore be adjusted for a control premium (before a comparison can be made with Main Event)
- (e) the implied multiples for the Bowlmor AMF transaction should be treated with a high degree of caution given they are based upon press speculation
- (f) the Brunswick bowling centre, CEC Entertainment (2014) and Dave & Buster's transactions relate to the acquisition of 100% of the respective business and therefore implicitly incorporate a premium for control. We also note that Main Event is considerably larger (on a revenue and EBITDA basis) than the Brunswick bowling centre business and that all else being equal, smaller companies generally transact on lower multiples than larger companies<sup>106</sup>.

### **Synergies**

197 In its announcement dated 6 April 2022, Dave & Buster's stated:

*"the Company expects that upon the closing of the transaction there will be approximately [US]\$20 million of synergies to be achieved within the first two years from store support centre consolidation and supply-chain efficiencies"*

198 As set out in RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair. While some of the synergies identified by Dave & Buster's will be unique to them, in our opinion, a reasonable proportion of these annual synergies could be generated by other acquirers and have been reflected in our cash flow projections. Furthermore, the existence of synergies from business combinations is one of the key reasons why bidders pay a control premium to acquire a company.

<sup>105</sup> For example, the business was targeting a large expansion in venue numbers with 450 potential sites identified (200 in the US and 250 internationally) and EBITDA was forecast to grow from some US\$59 million in CY19 to some US\$346 million in CY25.

<sup>106</sup> At the time of the transaction, Dave & Buster's operated a similar number of centres to that which Main Event operates today. It also generated EBITDA that was broadly similar to that which Main Event generates today.



199 Consequently, in our opinion, it would be inappropriate (in the circumstances of Main Event) to expect the multiple implied by our DCF valuation to reflect other than a normal level of synergies.

***Other factors***

200 In assessing the reasonableness of the EBITDA multiples implied by our DCF valuation range we have also had regard to (inter alia):

- (a) the significant growth in EBITDA compared to that achieved by Main Event prior to COVID-19, noting that all else equal, companies that are trading at “high” points in the industry cycle typically attract lower multiples, and vice versa
- (b) the current volatile state of the US (and global) economy and general uncertainty surrounding forecast economic conditions in light of the COVID-19 pandemic, both in the near term and long term
- (c) the potential headwinds that are emerging for the US OOHE industry as rising costs of groceries, gasoline, rent and other necessities, increasing interest rates (which require an increased allocation of household incomes for loan repayments) and growing fears of a recession place potential pressure on real disposable incomes of US consumers.

***Conclusion on reasonableness of implied EBITDA multiples***

201 In concluding on the reasonableness of the EBITDA multiples implied by our assessed value of Main Event’s business operations under the DCF methodology, we note that:

- (a) the implied multiples for Main Event for FY23 and FY24 (which effectively represent one and two year forward multiples respectively) are:
  - (i) higher than the one and two-year forward trading evidence for Dave & Buster’s (adjusted for a premium for control), which we consider appropriate as Main Event has outperformed Dave & Buster’s and is better positioned both geographically and demographically (in the context of ongoing COVID-19 uncertainty)
  - (ii) lower than the one and two-year forward trading evidence for Bowlero (adjusted for a premium for control). We consider this to be appropriate due to Bowlero having a greater range of available growth strategies including refurbishment of existing centres and expansion of service offerings to include new games and amusements, which have historically delivered higher cash returns than new centre openings
- (b) the implied multiple for FY23 is slightly higher than the 9.0 times EBITDA multiple that applies to RedBird’s Call Option. While we consider the Call Option evidence highly relevant as it relates specifically to the asset being valued, we note that the terms of the Call Option were negotiated during COVID-19 and at a time when Ardent Leisure (and its two business) required capital. It is arguable therefore that Ardent Leisure was anxious and as such, the multiple does not fully reflect market value
- (c) the Summit transaction evidence is not considered relevant as it is a small acquisition for a limited number of centres
- (d) in respect of the other transaction evidence:

- (i) while the 2019 CEC Entertainment transaction did not complete, the implied multiples from the proposed transaction (adjusted for a control premium) are consistent with those implied by our valuation of Main Event
- (ii) the Brunswick bowling centre, CEC Entertainment (2014) and Dave & Buster's transactions occurred in different economic climates to those prevailing today and are therefore not considered relevant
- (iii) Topgolf was an early stage business exhibiting very strong growth potential and the Bowlero IPO evidence is now superseded by its trading evidence.

202 Having regard to the above, in our opinion, the FY23 and FY24 EBITDA multiples implied by our DCF valuation appear reasonable.

### Other assets / (liabilities)

203 We have considered whether Main Event has any other assets / (liabilities) that are not reflected in our abovementioned business valuation and for which an appropriate allowance should be made. Nothing material was identified.

### Valuation summary

204 Given the above, we have assessed the EV of Main Event (i.e. on a cash and debt free basis) as follows:

Main Event – valuation summary <sup>(1)</sup>			
	Paragraph	Low US\$m	High US\$m
Assessed value of business operations (on a “control” basis)	178	800	900
Other assets / (liabilities)	203	-	-
<b>Value of Main Event (on a cash and debt free basis)</b>		<b>800</b>	<b>900</b>

**Note:**

1 Rounding differences may exist.



## VII Evaluation of the Proposed Transaction

205 In our opinion, the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Leisure shareholders in the absence of a superior proposal. The basis for our opinion is set out below.

### Assessment of “fairness”

206 As set out in Section VI, we have assessed the enterprise value of Main Event (i.e. on a cash and debt free basis) at between US\$800 million and US\$900 million.

207 If the Proposed Transaction is approved and implemented, Dave & Buster’s will acquire Main Event, on a cash and debt free basis, for the following forms of consideration (together, the Proposed Consideration):

- (a) **Cash Consideration** – of US\$835 million, subject to purchase price adjustments. In that regard we note that the Cash Consideration is subject to adjustment for the amount, if any, by which the Closing Working Capital varies from the target working capital (Working Capital Peg). We do not consider it necessary to incorporate any valuation adjustment for the Working Capital Peg because, in our view, the target is reasonable relative to Main Event’s average working capital over the LTM
- (b) **Contingent Consideration** – deferred and contingent cash consideration of up to US\$14.8 million. This reflects a potential contingent payment to Main Event shareholders of future tax benefits (including tax benefits associated with certain carry forward net operating losses) that may be realised by Dave & Buster’s in respect of the Main Event business in tax periods ending on or before 31 December 2028. These future tax benefits are inherently uncertain and there is no guarantee that any, or all, will be realised and that payment will be received.

208 As the Contingent Consideration is inherently uncertain (and could be nil), for the purposes of this report we have (conservatively) assessed “fairness” by reference to the value of the Cash Consideration only (i.e. US\$835 million).

209 Pursuant to RG 111, if the value of the consideration offered for an asset is equal to, or greater than the value of the asset that is the subject of the offer, then the offer is considered “fair”. The comparison between the Cash Consideration and our assessed value of Main Event (on a cash and debt free basis) is shown below:

Comparison of Cash Consideration with value of Main Event (on a cash and debt free basis)			
	Low	High	Mid-point
	US\$	US\$	US\$
Cash Consideration	835	835	835
Value of Main Event (on a cash and debt free basis)	800	900	850
Extent to which the Cash Consideration exceeds (or is less than) the value of Main Event	35	(65)	(15)

210 Given that the Cash Consideration lies within our assessed valuation range for Main Event (on a cash and debt free basis), in our opinion, the Proposed Transaction is “fair” when assessed based upon the guidelines set out in RG 111 (even before considering any additional

potential value that may be realised by Main Event shareholders in respect of the uncertain Contingent Consideration).

- 211 While our assessment is based upon a theoretical valuation of Main Event, we also note that the Proposed Transaction is an outcome of a competitive sale process conducted in respect of Main Event<sup>107</sup>. The process resulted in the receipt of several offers. The Proposed Transaction was considered the superior proposal based upon a consideration of a number of factors including value, type of consideration offered (i.e. cash) and certainty. Accordingly, in our view, the Proposed Consideration must, by definition, fall within a range of fair values.
- 212 The Cash Consideration will be used to repay the debt in Main Event, meet the obligations owing to Main Event management under the Main Event LTIP and pay transaction costs. The residual Cash Consideration (and any Contingent Consideration) will be distributed to Main Event's shareholders (including Ardent Leisure) in accordance with the terms of Main Event's Stockholders' Agreement (and any other agreements that exist). It therefore follows that the share of the net proceeds to be received by Ardent Leisure for its interest in Main Event must also be "fair" when based upon the guidelines set out in RG 111.

### **Assessment of "reasonableness" and "in the best interests"**

- 213 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Proposed Transaction is also "reasonable".
- 214 There is no legal definition of the expression "in the best interests". However, RG 111 notes that if an expert concludes that a control transaction that is proposed to be undertaken by way of a scheme of arrangement is "fair and reasonable", or "not fair but reasonable", then the expert will also be able to conclude that the scheme is "in the best interests" of members of the company.
- 215 In our experience, if a transaction is "fair" and "reasonable" under RG 111 it will also be "in the best interests" of shareholders. This is because, if the consideration payable pursuant to a transaction is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 216 We therefore consider that the Proposed Transaction is also "in the best interests" of Ardent Leisure shareholders in the absence of a superior proposal.
- 217 However, irrespective of the regulatory obligation to conclude that the Proposed Transaction is reasonable (and therefore in the best interests) simply because it is fair, we have also considered a range of other factors that we consider relevant in assessing whether the Proposed Transaction is "reasonable" to and "in the best interests" of Ardent Leisure shareholders, including:
- (a) the certainty that the Proposed Transaction will provide with respect to Ardent Leisure's interest in Main Event
  - (b) the impact of the Proposed Transaction on Ardent Leisure's financial performance and position

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<sup>107</sup> The details of which are set out within Section 4.6 of Resolution One of the Notice of Meeting and Explanatory Statement.

- (c) the implications of becoming a smaller Theme Parks & Attractions focused business
- (d) the listed market price of the shares in Ardent Leisure, both prior to and subsequent to the announcement of the Proposed Transaction
- (e) the likelihood of an alternative superior proposal
- (f) the implications for Ardent Leisure if the Proposed Transaction is not implemented
- (g) the other qualitative and strategic issues associated with the Proposed Transaction
- (h) the overall advantages and disadvantages of the Proposed Transaction from the perspective of Ardent Leisure shareholders.

218 These issues are discussed in detail below.

### **Removal of risk and uncertainty**

219 The Proposed Transaction provides cash certainty (in USD)<sup>108</sup> and removes the risks associated with Ardent Leisure's continued ownership of Main Event including:

- (a) risks pertaining to RedBird's future actions and the potential value implications on Ardent Leisure's interest in Main Event, including:
  - (i) the resumption of RedBird's semi-annual distributions on its preferred equity, including reinstatement of distributions which are currently suspended pending the outcome of the Proposed Transaction, which would further dilute Ardent Leisure's interest in Main Event (assuming RedBird continues to take these distributions in the form of equity interests)
  - (ii) the time at which (if at all) RedBird exercises its Call Option and the value of the exercise price received by Ardent Leisure (noting that the exercise price may be lower than the pro-rata value offered under the Proposed Transaction)
  - (iii) the potential loss of its status as the majority shareholder and certain majority shareholder rights associated therewith<sup>109</sup>, if RedBird exercises its Call Option
  - (iv) RedBird possibly selling its shares to a third party without Ardent Leisure's prior consent, or the risk of being "dragged" by RedBird into a "drag along sale" on less favourable terms than those associated with the Proposed Transaction<sup>110</sup>
- (b) risks inherent in Main Event's operations, including:
  - (i) Main Event's ability to maintain its current level of earnings (noting that EBITDA for LTM Dec 21 represents the highest ever LTM EBITDA achieved)
  - (ii) the risk associated with the successful execution of several strategic initiatives including an improved guest experience, new innovation and effective marketing and continued investment in new centre openings

<sup>108</sup> Subject to purchase price adjustments. It should be noted that hedging arrangements have been put in place by the Company to ensure that future exchange rate fluctuations are minimised.

<sup>109</sup> Noting that Ardent Leisure will retain typical and customary minority protection / consent rights related to the preservation of its interest in Main Event.

<sup>110</sup> Noting that the minimum sale price at which the drag rights become operative is lower than the Proposed Consideration under the Proposed Transaction.

- (iii) supply chain disruptions and their effect on the cost and availability of required inputs including inventory, games and amusement offerings and construction materials
- (iv) the impact of increased levels of competition in the OOHE sector
- (c) other general risk factors that may affect Main Event, including:
  - (i) the possible impacts of COVID-19 on the Main Event business in the future (e.g. another wave of infection due to the emergence of a further variant and further health restrictions being imposed)
  - (ii) future adverse impacts of a decline in consumer discretionary spending in the US, arising from increasing inflation and/or increasing interest rates and/or a decline in consumer confidence.

220 Further, in the absence of the Proposed Transaction and the funds that it provides, Ardent Leisure would be required to raise additional capital from other sources (that are potentially less favourable than the Proposed Transaction<sup>111</sup>) to fund the ongoing operations of the Theme Parks & Attractions business (which is uncertain as to future quantum and timing of return to profitability), repay the QTC Facility (assuming it cannot be refinanced), repay the ATO Liability and/or fund the initiatives to support the ongoing recovery, growth and development of the Theme Parks & Attractions business.

### Impact on Ardent Leisure's financial performance and position

221 The estimated pro-forma impact of the Proposed Transaction on Ardent Leisure's financial performance assuming the Proposed Transaction completed immediately prior to the commencement of the LTM Dec 21 is summarised in the following table:

Ardent Leisure – pro-forma financial performance for LTM Dec 21 <sup>(1)(2)</sup>			
	Reported A\$m	Transaction adjustments <sup>(2)</sup> A\$m	Pro-forma A\$m
<b>Revenue</b>			
Main Event	487.2	(487.2)	-
Theme Parks & Attractions	41.4	-	41.4
<b>Total</b>	<b>528.6</b>	<b>(487.2)</b>	<b>41.4</b>
<b>EBITDA pre AASB 16<sup>(3)</sup> and ex Specific Items<sup>(4)</sup></b>			
Main Event	117.9	(117.9)	-
Theme Parks & Attractions	(18.9)	-	(18.9)
Corporate	(6.9)	0.2	(6.7)
<b>EBITDA</b>	<b>92.1</b>	<b>(117.7)</b>	<b>(25.6)</b>

<sup>111</sup> Such as a potentially dilutive capital raising. The RedBird Call Option exercise proceeds may (depending on timing) also provide an alternative source of funds (albeit Ardent Leisure cannot force RedBird to exercise its option).

**Note:**

- 1 Rounding differences may exist.
- 2 Assumes the Proposed Transaction completed immediately prior to the commencement of LTM Dec 21. Refer to Section 6.2 of Resolution One of the Notice of Meeting and Explanatory Statement for further details and assumptions underpinning the pro-forma impact of the Proposed Transaction on Ardent Leisure.
- 3 AASB 16 is an accounting standard that replaces cash rent costs with notional depreciation / amortisation and interest costs.
- 4 Specific Items include significant non-trading income or expense items which are non-cash or non-trading in nature.

- 222 Following completion of the Proposed Transaction, Ardent Leisure's financial performance will (at least in the short term) be largely dependent upon the operational profitability of its Theme Parks & Attractions business. Ardent Leisure's Theme Parks & Attractions business is loss making and has not generated positive EBITDA since FY16 (i.e. post the Dreamworld incident and the subsequent COVID-19 pandemic). There can be no assurance that the Theme Parks & Attractions business will generate profits in the future. In particular, there are a number of external factors beyond the control of Ardent Leisure that may impact the successful recovery and future profitability of the Theme Parks & Attractions business<sup>112</sup>.
- 223 While Ardent Leisure anticipates only relatively marginal savings in corporate costs, it is not expected to incur any ongoing interest expenses as a result of it being debt free and having significant cash balances (refer below).
- 224 We summarise below the estimated pro-forma impact of the Proposed Transaction on Ardent Leisure's reported financial position as at 28 December 2021:

<b>Ardent Leisure – pro-forma financial position as at 28 December 2021<sup>(1)(2)</sup></b>							
	<b>Reported</b>	<b>Main</b>		<b>Sale</b>	<b>Pro-forma</b>		
	<b>A\$m</b>	<b>Event</b>	<b>Adj.<sup>(3)</sup></b>	<b>proceeds<sup>(4)</sup></b>	<b>Position</b>	<b>Use of</b>	<b>Position</b>
	<b>A\$m</b>	<b>A\$m</b>	<b>A\$m</b>	<b>A\$m</b>	<b>One<sup>(5)</sup></b>	<b>proceeds<sup>(6)</sup></b>	<b>Two<sup>(7)</sup></b>
					<b>A\$m</b>	<b>A\$m</b>	<b>A\$m</b>
Cash	110.4	(92.5)	-	670.3	688.2	(506.3)	181.9
Land & buildings	251.7	(197.4)			54.3		54.3
PP&E <sup>(8)</sup> (ex land)	186.0	(125.2)			60.8		60.8
Right of use assets	319.8	(319.7)			0.1		0.1
Other assets	114.9	(94.9)	(3.1)	-	16.9	-	16.9
<b>Total assets</b>	<b>982.8</b>	<b>(829.7)</b>	<b>3.1</b>	<b>670.3</b>	<b>820.3</b>	<b>(506.3)</b>	<b>314.0</b>
QTC Facility <sup>(9)</sup>	39.1	-	-	-	39.1	(39.1)	-
Other financial debt <sup>(9)</sup>	266.4	(266.4)	-	-	-	-	-
Lease liabilities	406.9	(406.7)	-	-	0.2	-	0.2
ATO Liability	10.5	-	-	-	10.5	(10.5)	-
Other liabilities	123.4	(96.2)	-	-	27.2	-	27.2
<b>Total liabilities</b>	<b>846.2</b>	<b>(769.3)</b>	<b>-</b>	<b>-</b>	<b>77.0</b>	<b>(49.6)</b>	<b>27.4</b>
<b>Net assets</b>	<b>136.5</b>	<b>(60.4)</b>	<b>(3.1)</b>	<b>670.3</b>	<b>743.3</b>	<b>(456.7)</b>	<b>286.6</b>

<sup>112</sup> While the Theme Parks & Attractions business has started to recover from the impacts of COVID-19 to date, the future impact of COVID-19 is uncertain and difficult to predict.

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**Note:**

- 1 Rounding differences may exist.
  - 2 Refer to Section 6.2 of Resolution One of the Notice of Meeting and Explanatory Statement for further details and assumptions underpinning the pro-forma impact of the Proposed Transaction on Ardent Leisure.
  - 3 Deconsolidation adjustments.
  - 4 Ardent Leisure's share of the net Cash Consideration assuming the Proposed Transaction completes in accordance with the currently assumed timetable. Does not include any share of the Contingent Consideration.
  - 5 Pro-forma position prior to the use of the sale proceeds. Reflects reported position less the Main Event balance sheet, deconsolidation adjustments and the addition of the estimated sale proceeds.
  - 6 Balances for the QTC Facility and ATO Liability slightly differ to the balances that are estimated to be repaid upon completion.
  - 7 Reflects pro-forma Position One after the partial use of the sale proceeds.
  - 8 Property, plant and equipment (PP&E).
  - 9 Net of unamortised borrowing costs (A\$0.5 million in respect of the QTC Facility and A\$11.4 million in respect of the Other financial debt).
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225 In respect of the above, we note that:

- (a) the estimated financial position at completion is expected to be materially consistent with (albeit slightly different to) the above<sup>113</sup>
- (b) post completion, Ardent Leisure will have no net debt and have significant cash balances (as well as significant land assets with a degree of optionality in respect of the surplus land component)
- (c) Ardent Leisure's materially strengthened financial position enhances its ability to fund the ongoing recovery, growth and development of the Theme Parks & Attractions business. In this regard, the Ardent Leisure Directors have indicated that they will retain some A\$153 million of its share of the net sale proceeds (ex the Contingent Consideration) from Main Event to, inter alia:
  - (i) fund any ongoing cash losses incurred by the Theme Parks & Attractions business, noting that it is uncertain as to when the business may become profitable and the size of the losses that may be incurred in the interim
  - (ii) fund continued investment in new major rides / attractions
  - (iii) implement initiatives aimed at accelerating growth in the business
  - (iv) pursue opportunities for unlocking value in the theme parks' surplus land
- (d) as noted above at paragraph 220, in the absence of the Proposed Transaction, Ardent Leisure would be required to raise additional capital from other sources (that are potentially less favourable than the Proposed Transaction) to repay debt and fund the Theme Park & Attractions business' operations.

226 In summary, Ardent Leisure's financial position and ability to support the recovery of the (presently loss making) Theme Parks & Attractions business will be materially enhanced if the Proposed Transaction proceeds. That said, there remains a risk that in providing that support, the significant cash balance retained in the business will be eroded over time without

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<sup>113</sup> Due to for example, the balances of the QTC Facility and ATO Liability as at 28 December 2021 being marginally different to the estimated balances at completion being A\$49.7 million and \$11.0 million respectively.



any corresponding return on investment being realised. There is also a risk the Theme Parks & Attractions business may require further capital in the future (i.e. over and above that retained).

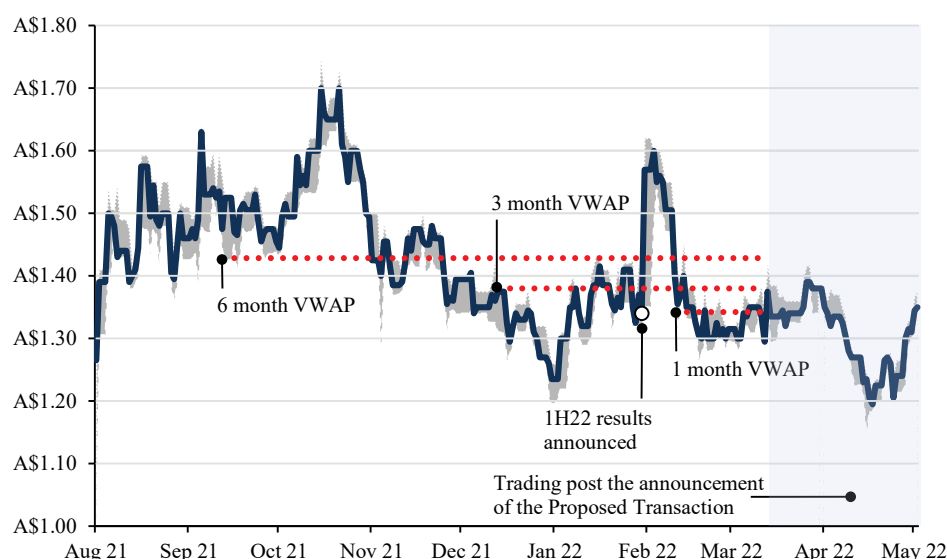
### Implications of becoming a smaller company

- 227 If the Proposed Transaction is approved and implemented, Ardent Leisure's business will be smaller and less diversified and its financial performance will be solely dependent upon the Theme Parks & Attractions business. Accordingly, an investment in Ardent Leisure will be more susceptible to the risks of the Theme Parks & Attractions business (as a result of the loss of the diversification benefits provided by Main Event).
- 228 Furthermore, Ardent Leisure's distribution of a large portion of its share of the residual Cash Consideration to Ardent Leisure shareholders (estimated to be some approximately A\$455.7 million<sup>114</sup> or A\$0.95 per share<sup>115</sup>) is expected to materially reduce the Company's market capitalisation. This, coupled with the decreased size and scope of operations, may result in reduced analyst coverage, lower the profile of the Company, particularly with institutional investors, and hence decrease the liquidity of the Ardent Leisure shares compared to that currently experienced by Ardent Leisure shareholders. Under these circumstances, the ability for Ardent Leisure shareholders to sell their shares at a price that is representative of underlying value may diminish.

### Recent share prices subsequent to the announcement of the Proposed Transaction

- 229 The following chart illustrates the movement in the Ardent Leisure share price subsequent to the announcement of its FY21 results on 26 August 2021<sup>116</sup> through to and including 27 May 2022 (further trading history preceding 26 August 2021 can be found at paragraph 114):

**Ardent Leisure – share price history<sup>(1)</sup>**  
**26 August 2021<sup>(2)</sup> to 27 May 2022**



<sup>114</sup> Actual proceeds received and available to be returned to Ardent Leisure shareholders will be determined by the Board following completion and will, in part, depend upon the final quantum of the proceeds received by Ardent Leisure following the purchase price adjustments.

<sup>115</sup> Assumes 479.7 million ordinary shares are on issue.

<sup>116</sup> The Ardent Leisure share price materially increased on this day and closed at A\$1.27, some 22% higher than the previous close of on 25 August 2021 of A\$1.04.



**Note:**

- 1 Based upon closing prices with surrounding shaded area representing intra-day high and low.  
2 Date Ardent Leisure released its FY21 results (noting that the announcement occurred pre-open).  
**Source:** Bloomberg and LEA analysis.

- 230 Ardent Leisure shareholders should note that Ardent Leisure shares have traded on the ASX in the range of A\$1.145 to A\$1.420 per share in the period since the Proposed Transaction was announced up to and including 27 May 2022 (and closed at A\$1.350). The volume weighted average price (VWAP) over the period was A\$1.305 per share.
- 231 This trading is broadly consistent with, albeit marginally less than the prices at which Ardent Leisure shares were transacting in the one and three months prior to the announcement of the Proposed Transaction, with the one and three month VWAPs being A\$1.34 and A\$1.38 respectively.
- 232 Based on this analysis, the market appears to be relatively indifferent to the Proposed Transaction. This may be due to one, or more factors including the following:
- (a) the Ardent Leisure share price prior to the announcement of the Proposed Transaction may have reflected an over estimation of the value of Ardent Leisure's interest in Main Event. In this regard we note the following paraphrased comments from selected analyst reports:
    - (i) the sale outcome is some A\$0.50 less than our valuation expectation
    - (ii) the cash proceeds from the Proposed Transaction were approximately 13% to 15% lower than expected owing to the US\$60 million Main Event management earn-in and other completion adjustments
  - (b) post-announcement trading in Ardent Leisure shares reflecting a low likelihood of the Proposed Transaction completing due to, for example, Dave & Buster's failing to obtain US Antitrust Approval (noting that on 19 May 2022, Ardent Leisure announced that approval had been obtained)
  - (c) general negative market sentiment post the announcement of the Proposed Transaction, noting that the S&P/ASX 200 Index has decreased by approximately 4.1% in the period between 6 April 2022 and 27 May 2022.

**The likelihood of an alternative superior proposal**

- 233 We have been advised by the Directors of Ardent that no superior alternative proposal for either Main Event or Ardent Leisure has been received since the announcement of the Proposed Transaction on 6 April 2022.
- 234 Whilst there has effectively been (and remains) an opportunity for other third parties contemplating an acquisition of Main Event (or an alternate transaction such as an acquisition of Ardent Leisure) to table a proposal, Ardent Leisure shareholders should note:
- (a) the exclusivity (and break fee) obligations on Main Event and RedBird pursuant to the Merger Agreement, which are summarised in Section I of this report and discussed in further detail in the Notice of Meeting and Explanatory Statement (and in particular, the differential economics for Main Event and RedBird, with RedBird bearing a higher proportion of any break fees and also having upside sharing arrangements in certain circumstances)

- (b) the Proposed Transaction represents the outcome of a strategic review undertaken by Ardent Leisure and RedBird in relation to the future ownership of Main Event. The comprehensive sales process resulted in the receipt of multiple offers which were ultimately considered to be less favourable and less certain than the Proposed Transaction
- (c) alternative transactions tabled in respect of Main Event would require the approval of RedBird (as under the terms of Main Event's Stockholders' Agreement, Ardent Leisure cannot drag RedBird unless there is a change in control of Ardent Leisure and certain other pre-conditions are met)
- (d) in the absence of the Proposed Transaction<sup>117</sup>, RedBird's Call Option provides it with the (future) opportunity to acquire a controlling interest in Main Event from 30 June 2022<sup>118</sup>. As Main Event is Ardent Leisure's primary business operation (i.e. its "main undertaking"), the existence of the Call Option is likely to act as a deterrent to potential bidders for Ardent Leisure.

235 Although it is possible that an alternative offer may emerge, in our opinion, the factors set out above diminish the likelihood of this outcome.

#### **Implications of the Proposed Transaction not proceeding**

236 In the event the Proposed Transaction does not proceed:

- (a) Ardent Leisure will continue to hold an interest in Main Event and remain exposed to the risks outlined at paragraph 219
- (b) the advantages (and to a lesser extent, disadvantages) of the Proposed Transaction (as summarised below) will be forgone (noting in particular that the Company may be required to raise additional capital from other sources (that are potentially less favourable than the Proposed Transaction<sup>119</sup>) to repay debt and support the Theme Parks & Attractions business)
- (c) Main Event would be required to pay Dave & Buster's a termination break fee of US\$8.35 million<sup>120</sup> in certain circumstances (which do not include where the Proposed Transaction is not approved by Ardent Leisure shareholders, unless there has been an alternative proposal publicly announced prior to the extraordinary general meeting and a sale of Main Event occurs within 12 months following termination of the Merger Agreement)
- (d) Ardent Leisure and Main Event will incur unavoidable transaction costs associated with the Proposed Transaction of some A\$1.0 million and A\$3.7 million respectively.

<sup>117</sup> RedBird has agreed not to exercise the Call Option for so long as the Merger Agreement remains in effect.

<sup>118</sup> Or earlier if there is a change of control event in Ardent Leisure.

<sup>119</sup> Such as a potentially dilutive capital raising. The RedBird Call Option exercise proceeds may (depending on timing) also provide an alternative source of funds (albeit Ardent Leisure cannot force RedBird to exercise its option).

<sup>120</sup> This amount is in addition to the termination break fee payable by RedBird.

## Proposed Distribution

237 Ardent Leisure Directors have made a determination that the majority of the funds received after tax<sup>121</sup> and transaction costs, circa A\$455.7 million<sup>122</sup> (or A\$0.95 per share<sup>123</sup>), will be returned to Ardent Leisure shareholders. The intended structure of the Proposed Distribution is as follows:

- (a) **Capital Return** – up to A\$255.0 million will be distributed as a return of capital on a pro-rata basis of up to approximately A\$0.53<sup>123</sup> for each Ardent Leisure share held as at the Record Date (Capital Return). The Capital Return will occur via an equal reduction of the issued share capital of up to A\$255.0 million (Capital Reduction). No adverse tax consequences are expected to arise for the Company as a result of implementing the Capital Return. The Capital Return is subject to the approval of the Ardent Leisure shareholders as per s256C(1) of the Corporations Act<sup>124</sup>
- (b) **Special Dividend** – the balance of at least A\$200.7 million will be returned as an unfranked special dividend equal to at least A\$0.42<sup>123</sup> per Ardent Leisure share as at the Record Date. The unfranked dividend will be taxable in the hands of Ardent Leisure shareholders.

238 The taxation consequences of the Proposed Distribution for Ardent Leisure shareholders will vary according to their individual circumstances and will be impacted by various factors. Ardent Leisure shareholders should read the overview of tax implications set out in Section 8 of Resolution Two of the Notice of Meeting and Explanatory Statement and also seek independent financial and tax advice.

## Summary of opinion on the Proposed Transaction

239 We summarise below the likely advantages and disadvantages for Ardent Leisure shareholders if the Proposed Transaction proceeds.

### Advantages

240 In our opinion, the Proposed Transaction has the following benefits for Ardent Leisure shareholders:

- (a) our assessed value of the Cash Consideration of US\$835 million lies within our assessed valuation range for Main Event (on a cash and debt free basis)<sup>125</sup>. We also note that the Proposed Transaction is an outcome of a competitive sale process conducted in respect

<sup>121</sup> Whilst the final tax impact of the Proposed Transaction will depend on the specific circumstances existing at completion, the Company does not expect to incur any material cash tax liability in respect of the Proposed Transaction.

<sup>122</sup> Actual proceeds received and available to be returned to Ardent Leisure shareholders will be determined by the Board following completion and will, in part, depend upon the final quantum of the proceeds received by Ardent Leisure following the purchase price adjustments.

<sup>123</sup> Assumes 479.7 million ordinary shares are on issue.

<sup>124</sup> This resolution is Resolution Two in the Notice of Meeting and Explanatory Statement and needs only a simple majority (i.e. more than 50% of votes cast in favour) to pass.

<sup>125</sup> Even before considering any additional potential value that may be realised by Main Event shareholders in respect of the uncertain Contingent Consideration.

of Main Event<sup>126</sup>, which resulted in the receipt of several offers. In our view, the Proposed Consideration must, by definition, fall within a range of fair values. Accordingly, in our opinion, Main Event shareholders (including Ardent) are being paid an appropriate price to compensate them for the fact that control of Main Event will pass to Dave & Buster's if the Proposed Transaction is approved<sup>127</sup>

- (b) the Proposed Transaction provides Ardent Leisure shareholders with cash certainty (in USD)<sup>128</sup> and removes future risk associated with Ardent Leisure's ongoing ownership of Main Event, including the risks pertaining to RedBird's future actions and the potential value implications thereof<sup>129</sup>, the risk inherent in the Main Event business (including ongoing strategy execution risk) as well as other general risk factors<sup>130</sup>
- (c) Ardent Leisure will be debt free and have approximately A\$153 million in cash to support fund the ongoing recovery, growth and development of the Theme Parks & Attractions business. In the absence of the Proposed Transaction, Ardent Leisure would be required to raise additional capital from other sources (that are potentially less favourable than the Proposed Transaction<sup>131</sup>) to repay debt and support the Theme Parks & Attractions business.

## Disadvantages

241 Ardent Leisure shareholders should note that if the Proposed Transaction is implemented, Ardent Leisure shareholders will no longer hold an (indirect economic) interest in Main Event. Ardent Leisure shareholders will therefore not participate in any future value created by Main Event over and above that reflected in the consideration to be received by Ardent Leisure for its interest. However, we note that:

- (a) as our assessed value of Main Event is consistent with the Cash Consideration, in our opinion, the present value of Main Event's future potential is reflected in the consideration offered (even before considering any additional potential value that may be realised by Main Event shareholders in respect of the uncertain Contingent Consideration)
- (b) Ardent Leisure's level of continued exposure to Main Event remains subject to RedBird's Call Option (which, if exercised, will reduce the Company's interest in Main

<sup>126</sup> The details of which are set out within Section 4.6 of Resolution One of the Notice of Meeting and Explanatory Statement.

<sup>127</sup> The Proposed Consideration will distributed to Main Event's shareholders (including Ardent Leisure) in accordance with the terms of Main Event's Stockholders' Agreement (and any other agreements that exist). It therefore follows that the share of the net proceeds to be received by Ardent Leisure for its interest in Main Event must also be "fair" when based upon the guidelines set out in RG 111.

<sup>128</sup> Subject to purchase price adjustments. It should be noted that hedging arrangements have been put in place by the Company to ensure that, subject to purchase price adjustments, no less than A\$664.5 million is realised. If the Proposed Transaction completes in accordance with the currently assumed timeline, the Company expects to receive A\$670.3 million.

<sup>129</sup> e.g. the exercise by RedBird of its Call Option and the resultant loss by Ardent Leisure of certain majority shareholder rights in Main Event.

<sup>130</sup> e.g. uncertainties surrounding the ongoing impact of COVID-19 and future adverse impacts of a decline in consumer discretionary spending in the US arising from increasing inflation and/or increasing interest rates and/or a decline in consumer confidence.

<sup>131</sup> Such as a potentially dilutive capital raising. The RedBird Call Option exercise proceeds may (depending on timing) also provide an alternative source of funds (albeit Ardent Leisure cannot force RedBird to exercise its option).

Event) and the possibility of being “dragged” into an eventual sale by RedBird at a price which could potentially be lower than under the Proposed Transaction

- (c) those Ardent Leisure shareholders that do seek to maintain an exposure to Main Event will have the opportunity to do so (albeit on a reduced basis) by reinvesting the after-tax proceeds received from the Proposed Distribution in Dave & Buster’s shares.

242 Although Ardent Leisure shares will remain listed on the ASX, the Company’s market capitalisation is expected to materially reduce (as a consequence of the Proposed Distribution). This, coupled with the decreased size and scope of operations, may result in reduced analyst coverage and lower the profile of the Company, particularly with institutional investors, and hence decrease the liquidity of Ardent Leisure shares compared to that currently experienced by Ardent Leisure shareholders. Under these circumstances, the ability for Ardent Leisure shareholders to sell their shares at a price that is representative of underlying value may diminish.

## **Conclusion**

243 Given the above analysis, we consider the advantages of the Proposed Transaction to outweigh the disadvantages. Consequently, in our view, the Proposed Transaction is fair and reasonable to and in the best interests of Ardent Leisure shareholders in the absence of a superior proposal.

## **Other considerations relevant to Ardent Leisure shareholders**

244 The following matters are raised for the information of Ardent Leisure shareholders and should not affect their decision as to whether to approve the Proposed Transaction.

245 Ardent Leisure’s financial position and ability to support the recovery, growth and development of the (presently loss making) Theme Parks & Attractions business will be materially enhanced if the Proposed Transaction proceeds. That said, there remains a relatively high risk that in providing that support, the significant cash balance retained in the business (some A\$153 million) will be eroded over time without any corresponding return on investment being realised. Ardent Leisure shareholders should also note that an investment in Ardent Leisure will be more susceptible to the risks of the Theme Parks & Attractions business (as a result of the loss of the diversification benefits provided by Main Event). This type of investment may not be suitable for all Ardent Leisure shareholders. Any decision to continue to hold Ardent Leisure shares beyond the immediate to short term (post approval of the Proposed Transaction<sup>132</sup>) is a separate investment decision and should be made by Ardent Leisure shareholders having regard to their individual risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If required, Ardent Leisure shareholders should seek independent professional advice specific to their individual circumstances.

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<sup>132</sup> At which time the full value of the Proposed Transaction should be reflected in the share price. As noted in paragraph 232(b), the market may currently be reflecting a discount for uncertainty of the Proposed Transaction completing.

## Appendix A

### Financial Services Guide

#### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

#### Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting and Explanatory Statement to be sent to Ardent Leisure shareholders in connection with the Proposed Transaction.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

#### Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

#### General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at A\$350,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.



## **Appendix A**

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### **Complaints**

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

### **Contact details**

- 14 LEA can be contacted by sending a letter to the following address:

Level 7  
64 Castlereagh Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)



## Appendix B

### Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Nathan Toscan and Ms Julie Planinic, who are each authorised representatives of LEA. Mr Toscan and Ms Planinic have over 21 years' and 23 years' experience respectively in the provision of valuation advice (and related advisory services).

#### Declarations

- 3 This report has been prepared at the request of the Directors of Ardent Leisure to accompany the Notice of Meeting and Explanatory Statement to be sent to Ardent Leisure shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable and in the best interests of Ardent Leisure shareholders.

#### Interests

- 4 At the date of this report, neither LEA, Mr Toscan nor Ms Planinic have any interest in the outcome of the Proposed Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

#### Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Ardent Leisure agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Ardent Leisure which is false or misleading or omits material particulars or arising from any failure to supply material documents or information.

#### Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Statement.

## Appendix C

### Assessment of appropriate discount rate

#### Overview

- 1 The determination of the discount rate or cost of capital for an asset requires identification and consideration of the factors that affect the returns and risks of that asset, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the asset.
- 2 The discount rate applied to the projected cash flows from an asset or business represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the asset or business.
- 3 Discount rates for assets or businesses are frequently evaluated using the weighted average cost of capital (WACC), which is a function of:
  - (a) the cost of equity
  - (b) the cost of debt
  - (c) the gearing (or debt to debt plus equity) ratio<sup>133</sup>.
- 4 The generally accepted WACC formula is the post-tax WACC, as shown below:

#### WACC formula

$$WACC = R_e \frac{E}{V} + R_d(1 - t) \frac{D}{V}$$

where:

- $R_e$  = expected equity investment return or cost of equity in nominal terms
- $R_d$  = interest rate on debt (pre-tax)
- $t$  = corporate tax rate
- $E$  = market value of equity
- $D$  = market value of debt
- $V$  = market value of debt plus equity

- 5 Our assessment of the appropriate parameters to be used when determining the discount rate for Main Event from the perspective of prospective purchasers is set out below. We note that as Main Event operates throughout the US (not Australia), we have referenced USD yields / rates of return as appropriate in determining the discount rate.

#### Cost of equity

- 6 We have used the capital asset pricing model (CAPM) to derive the cost of equity for Main Event. The formula for deriving the cost of equity using the CAPM is as follows:

<sup>133</sup> i.e. the assumed mix of debt and equity used to fund the business.

## Appendix C

### Cost of equity calculation

$$R_e = R_f + \beta_e [E(R_m) - R_f] + SP + CSRP$$

where:

$R_e$	=	expected equity investment return or cost of equity in nominal terms
$R_f$	=	risk-free rate of return
$E(R_m)$	=	expected market return
$E(R_m) - R_f$	=	market risk premium (MRP)
$\beta_e$	=	equity beta
$SP$	=	size premium
$CSRP$	=	company specific risk premium

- 7 The individual components of the CAPM are discussed below.

### Risk-free rate

- 8 For the purpose of our valuation of Main Event we have adopted a long-term risk-free rate of 3.25% per annum, which is broadly consistent with (albeit slightly higher than) the average yield on the 30-year US Government Bond of 3.06% per annum in the period subsequent to the US Federal Reserve's 50 basis point increase of its benchmark lending rate on 4 May 2022 up to 27 May 2022 (note, this is the longest term US Treasury Bond on issue).

### Market risk premium

- 9 The MRP [ $E(R_m) - R_f$ ], represents the additional return above the risk free rate that investors require in order to invest in a well diversified portfolio of equity securities (i.e. the equity market as a whole). Strictly speaking, the MRP is equal to the expected return from holding shares over and above the return from holding risk-free government securities. Since expected returns are generally not observable, a common method of estimating the MRP is to average realised (ex post) returns.
- 10 Because realised rates of return, especially for shares, are highly volatile over short periods, short-term average realised rates of return are unlikely to be a reliable estimate of the expected rate of return or MRP. Consequently the MRP is measured over a long period of time. It should also be noted that the standard error of the estimate of the mean for longer periods is typically lower than the standard error of the mean where a shorter period is used. This supports more reliance being placed on the average MRP calculated over the longer term.
- 11 Having regard to academic studies and empirical evidence on the MRP in the US<sup>134</sup>, we have adopted an MRP of 5.5%.

### Equity beta

- 12 Beta is a measure of the expected volatility of the return on an investment relative to the market as a whole. The CAPM assumes that beta is the only reason expected returns on an asset differ from the expected return on the market as a whole. A beta greater than 1.0 suggests that an investment's returns are expected to be more volatile and risky than average

<sup>134</sup> Including research published by Professor Aswath Damodaran (Stern University New York) and Kroll.

## Appendix C

(and accordingly a higher return than the market is required), whereas a beta less than 1.0 suggests that future returns will be less volatile and risky.

- 13 Similar to MRPs, expected equity betas are not observable. Historical betas are usually estimated and used as a reference to determine the appropriate forward-looking betas. In addition, factors such as betas of comparable companies and relevant industry sectors and a qualitative assessment of the systematic risks of the subject business are also considered. The determination of the appropriate beta to apply is, therefore, ultimately a matter of judgement.
- 14 In determining the appropriate equity beta for Main Event, we have considered (inter alia):
  - (a) the risks associated with the business of Main Event
  - (b) the beta estimates of broadly comparable listed companies that operate in the bowling and/or entertainment centre segment of the broader leisure and entertainment industry
  - (c) relevant industry / sector betas.

### *Risk factors of Main Event*

- 15 We have considered a number of the key business risks associated with Main Event which we summarise below:
  - (a) **macroeconomic conditions** – bowling and/or entertainment centres are leisure based activities which rely on consumer discretionary spending. A downturn in business conditions, rising inflation, a decline in consumer confidence or an increase in interest rates in the US could impact on the capacity of consumers to spend money on entertainment related activities
  - (b) **operational leverage** – the business has a relatively high fixed cost base with utilisation and customer spend being key drivers of profitability
  - (c) **development of new centres** – the continued growth of Main Event is reliant upon securing sites that are in quality locations, with acceptable agreements to lease or purchase and the ability to construct such centres on a cost-effective basis, as well as obtain liquor licenses and comply with all other applicable zoning and land use regulations. Significant capital expenditure is also required to generate new store growth
  - (d) **competition** – Main Event operates in a highly fragmented market which is characterised by a high number of independent brands focused on specific regions. New centres opened in existing markets could reduce the revenue at Main Event's existing centres and markets. In addition, Main Event faces competition from OOHE alternatives such as theme parks and movie theatres in addition to casual dining facilities more generally
  - (e) **seasonality in demand** – Main Event's revenue is influenced by seasonal shifts in consumer spending and is generally concentrated around spring and school year-end holiday periods.

## Appendix C

### *Betas of comparable companies*

- 16 The equity betas of listed companies primarily engaged in the provision of bowling and/or entertainment centres services in the US and UK are set out below (descriptions of each of the following companies can be found at Appendix D):

Listed company betas – Bowling and/or entertainment centres						
Company	Relative Index	Market cap <sup>(1)(2)</sup> US\$m	EV <sup>(2)(3)</sup> US\$m	Gearing <sup>(4)</sup> %	Beta <sup>(5)</sup>	r-squared <sup>(6)</sup>
<b>US operations</b>						
Bowlero	S&P 500 Index	1,876	2,973	36.9	nm <sup>(6)</sup>	nm <sup>(6)</sup>
Dave & Buster's	S&P 500 Index	2,253	2,663	15.4	1.92	0.34
Round One	Topix Index	1,166	1,249	6.7	1.68	0.21
<b>UK operations</b>						
Hollywood Bowl	Ftse 100 Index	515	453	(13.8)	1.99	0.45
TEN Entertainment	Ftse 100 Index	219	222	1.4	1.86	0.50
Brighton Pier Group	Ftse 100 Index	38	48	21.3	1.69	0.17

**Note:**

- 1 Market capitalisation and EV calculated as at 27 May 2022, based upon latest available information. Dave & Buster's market capitalisation and EV as at 5 April 2022 (being the last trading day prior to the announcement of the Proposed Transaction).
- 2 Foreign currencies have been converted into USD at the exchange rate prevailing as at 27 May 2022.
- 3 Gearing equals net debt (cash adjusted for material option dilution) divided by EV.
- 4 Unless noted otherwise, equity betas were obtained from Bloomberg and are based on four years of monthly returns to 27 May 2022.
- 5 R-squared is a statistical measure of how well the regression line approximates real data points. It has a value between zero and 1.0. The closer r-squared is to 1.0 the more reliable the beta estimate.
- 6 Bowlero listed on the NYSE on 16 December 2021 and therefore (due to the limited amount of data available) no meaningful beta estimate can be observed.

nm – not meaningful.

**Source:** Bloomberg and LEA analysis.

- 17 In respect of the above, we note that:
- (a) none of the listed companies are directly comparable to Main Event. The calculated beta estimates also vary depending on the index used (and the main constituents of that index). That said, the observed betas lie within a relatively narrow range
  - (b) the beta estimates of each of the above companies have been impacted by the COVID-19 pandemic and remain at elevated levels (i.e. higher levels than those observed pre-COVID-19)
  - (c) it is important to consider the r-squared values shown above. The r-squared value measures the reliability of the beta estimate, and ranges from zero (being not reliable) to 1.0 (highly reliable).
- 18 More generally, we have also considered the observed betas of a number of US listed theme park operators and restaurant chains, being industries that are also highly reliant upon the discretionary spend of consumers. These betas were not materially inconsistent with those

## Appendix C

observed above (i.e. they all exhibited a high degree volatility and risk relative to the market and they had all increased over time, due to for example the impact of the COVID-19 pandemic).

### **Industry / sector betas**

- 19 We have also had regard to the Recreation and Restaurant / Dining industry betas derived and published by NYU Stern. These are as follows:

<b>Industry betas<sup>(1)</sup></b>				
	<b>Recreation</b>		<b>Restaurants / Dining</b>	
<b>As at</b>	<b>Beta</b>	<b>No. of companies</b>	<b>Beta</b>	<b>No. of companies</b>
31 December 2021	1.23	60	1.56	70
31 December 2020	0.87	69	1.34	79
31 December 2019	0.90	63	0.97	77
31 December 2018	0.98	72	0.80	78

**Note:**

- 1 Simple average across firms of each firm's beta, taken as a weighted average of two-year and five-year weekly return regression betas, with two-year betas weighted two thirds. If the company has only a two-year beta, this has been used.

**Source:** Stern NYU Betas by Sector (US).

- 20 In respect of the above, we note that:

- (a) the constituents of the "Recreation" industry include Bowlero as well as Callaway Golf Company (which acquired Topgolf<sup>135</sup>), while the "Restaurants / Dining" industry includes Dave & Buster's
- (b) the industry betas estimates should be considered with a degree of caution due to, inter alia, the means by which they have been compiled and the fact that each of the industries include a very broad mix of companies. For example, the "Recreation" industry includes theme park operators, sporting equipment manufacturers, manufacturers of children's toys and manufacturers of outdoor recreation equipment and vehicles
- (c) the betas have generally increased over time, with the most recent estimate reflecting a relatively greater proportion of the impact of the COVID-19 pandemic.

### **Conclusion on beta**

- 21 Having regard to the above, we have adopted an equity beta of 1.8 to 2.0 for Main Event.

### **Size premium**

- 22 Main Event is a relatively small company in the context of the US market. Having regard to academic studies indicating smaller companies have higher equity risk premiums over and above that explained by their betas (in the context of the CAPM), we have adopted a size premium of 2.0%.

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<sup>135</sup> The transaction evidence for which is set out at paragraph 195 and Appendix E.

## Appendix C

### Company specific risk

- 23 The COVID-19 pandemic has had a significant impact on the operations of Main Event. Whilst the operations have returned to more normalised levels, ongoing uncertainty in respect of COVID-19 remains. In particular, it remains uncertain as to whether there will be a reintroduction of restrictions or centre closures (or more generally a reduction in customers' propensity to use Main Event's centres) in response to the possible emergence of a new strain of the virus and/or an increase in the rate of infection and/or severity of the virus. Further, there is uncertainty surrounding the impact of increasing rates of inflation (and interest rates) on consumer discretionary expenditure. We consider it appropriate to make an additional allowance for the risks posed to the business by these factors, but acknowledge that the observed betas set out above already reflect a number of these uncertainties. Accordingly, we have adopted a specific company risk premium of 0.5% only.

### Cost of debt

- 24 It is appropriate to use a debt cost equivalent to that likely to be incurred by Main Event assuming it were to raise debt finance in the capital market on the valuation date.
- 25 A long term cost of debt of 7.5% to 8.5% per annum has been adopted. This reflects a borrowing margin of 4.25% to 5.25% above the adopted risk-free rate. In forming this opinion, we have considered, inter alia:
- (a) the weighted average interest rate payable on Main Events debt facilities of 7.5% per annum as at 28 December 2021, including the impact of interest rate caps and swaps
  - (b) the terms attaching to the current debt facilities
  - (c) the maturity date of the debt facilities:
    - (i) the term debt and delayed draw term debt facilities mature on 4 April 2025
    - (ii) the revolving credit facility matures on 4 April 2024.
- 26 As interest costs are tax deductible we have tax affected the cost of debt at an assumed corporate rate of 30%. This rate reflects an allowance for US federal income tax (which is currently 21% but is anticipated to increase to approximately 28%<sup>136</sup>) as well as an allowance for average state taxes.

### Gearing (or debt to debt plus equity) ratio

- 27 The gearing level adopted should represent the level of debt that the asset can reasonably sustain and is not necessarily equivalent to the gearing level of the entity owning the asset. The factors that affect the "optimum" level of gearing will differ between assets. Generally, the major issues to address in determining this optimum level will include:
- (a) the variability in earnings stream

<sup>136</sup> The US Federal Government's 2023 budget revenue proposals, known as the Greenbook, include a proposed increase in the corporate tax rate to 28%. The proposal would be effective for taxable years beginning after 31 December 2022. Source: *General Explanations of the Administration's Fiscal Year 2023 Revenue Proposals* Department of the Treasury, March 2022.



## Appendix C

- (b) working capital requirements
- (c) the level of investment in tangible assets
- (d) the nature and risk profile of the tangible assets.

28 When determining the appropriate level of gearing for valuation purposes, we have considered, inter alia:

- (a) the level of debt currently supported by Main Event
- (b) the observed gearing ratios of the broadly comparable listed operators of bowling and/or family entertainment centres, which (excluding outliers) generally range from 10% to 20%.

29 Having regard to the above, we have adopted a gearing ratio of 20%.

### Calculation of WACC for Main Event

30 Based on the above, we have adopted the following (after tax) discount rate range for Main Event:

<b>Main Event – assessment of (post corporate-tax) discount rate<sup>(1)</sup></b>		
<b>Parameters</b>	<b>Low %</b>	<b>High %</b>
Beta	1.8	2.0
MRP	5.5	5.5
Risk-free rate	3.3	3.3
Cost of equity prior to additional risk premiums	13.2	14.3
Small company risk premium	2.0	2.0
Company specific risk premium	0.5	0.5
<b>Adjusted cost of equity</b>	15.7	16.8
Cost of pre-tax debt	7.5	8.5
Assumed tax rate	30.0	30.0
<b>Cost of post-tax debt</b>	5.3	6.0
Proportion of equity funding	80.0	80.0
Proportion of debt funding	20.0	20.0
<b>WACC / discount rate nominal (after tax)</b>	<b>13.6</b>	<b>14.6</b>
<b>Say (rounded)</b>	<b>14.0</b>	

**Note:**

1 Rounding differences may exist.

31 In considering the reasonableness of the discount rate adopted we considered:

- (a) the discount rates adopted by Ardent Leisure for the purpose of its annual impairment testing of the carrying value of the goodwill related to Main Event:

## Appendix C

Ardent Leisure – discount rate for Main Event impairment testing	
Year ended 30 June	Post tax rate %
2017	6.89
2018	7.50
2019	7.50
2020	12.00
2021	15.75

**Source:** Ardent Leisure Annual Reports.

The discount rates adopted in FY17 to FY19 (i.e. pre-COVID-19) appear low. However, we note that the forecast growth in earnings was much lower than that forecast in FY20 and FY21. Our adopted discount rate is within the range of the rates adopted for impairment purposes in FY20 and FY21 (noting that in our opinion, the rate adopted in FY21 appears high)

- (b) the pre-tax discount rates applied by the broadly comparable companies (set out at Appendix D) when undertaking impairment assessments which were in the range of 8.5% to 13.0% in FY19 and FY20 and 12.0% to 12.7% in FY21.

## Appendix D

### Trading evidence

#### US operations

##### **Bowlero Corp.**

- 1 Bowlero Corp. (Bowlero) is an operator of bowling entertainment centres predominantly in the US, with locations also in Mexico and Canada. The company operates traditional bowling centres and more upscale entertainment concepts with lounge seating, arcades, food and beverage offerings, and customer service for individuals and group events, as well as hosting and overseeing professional and non-professional bowling tournaments and related broadcasting. It operates bowling centres under different brand names, which include AMF, Bowlmor and Bowlero branded centres. The company has over 8,000 employees, with over 12,000 lanes and over 28 million customers annually as of April 2022.

##### **Dave and Buster's**

- 2 An overview of Dave & Buster's can be found at paragraph 9 of the report.

##### **Round One Corp.<sup>137</sup>**

- 3 Round One is a Japanese company that is engaged in the operation of indoor multi entertainment complexes in Japan and the US. The complexes have bowling alleys, arcade games, karaoke, billiards, darts and other entertainment activities including play zones for children. The company was established in December 1980 in Japan as a roller skate facility with arcade games but has since grown to become a national brand in the country with approximately 100 stores. Round One commenced operation in the US in Los Angeles in 2010 and now has some 46 locations across the US.

#### UK operations

##### **Hollywood Bowl Group Plc**

- 4 Hollywood Bowl Group Plc (Hollywood Bowl) is a UK based ten-pin bowling operator, which has a portfolio of approximately 67 centres operating across the UK as of May 2022 under the Hollywood Bowl, AMF and Puttstars (mini golf) brands. The company specialises in operating bowling centres, which are predominantly located in out-of-town multi-use leisure parks (typically co-located with cinema and casual dining sites) and retail parks. Its centres are designed to offer a complete family entertainment experience with each centre offering bowling lanes, on-site dining, licensed bars and state-of-the-art family games arcades.

##### **TEN Entertainment Group Plc**

- 5 Ten Entertainment Group Plc (TEN Entertainment) is an operator of some 46 entertainment centres across the UK. In addition to having over 1,100 bowling lanes across the UK, the company offers a wide range of complementary entertainment options including

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<sup>137</sup> We were unable to derive reliable (and reasonably comparable) multiples (and margins) for this company due to its limited financial disclosures (particularly in relation to IFRS 16).

## Appendix D

HyperBowling<sup>138</sup>, Sector 7 laser arenas, a range of Houdini's escape rooms, karaoke, state-of-the-art arcades, pool tables, table tennis, soft play and food and drink offerings.

### **The Brighton Pier Group Plc**

- 6 The Brighton Pier Group Plc (Brighton Pier) is a UK based company which owns and trades approximately eight bars nationwide, eight indoor mini-golf sites and the Lightwater Valley theme park in North Yorkshire. It operates through four segments: Brighton Palace Pier, Golf, Bars, and Lightwater Valley. Brighton Palace Pier offers a wide range of attractions including two arcades (with over 300 machines) and 18 funfair rides, together with a variety of on-site hospitality and catering facilities. The Lightwater Valley Theme Park offers a variety of attractions with rides, amusements, crazy golf, children's outdoor and indoor play, entertainment shows, together with numerous food, drink, and retail outlets.

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<sup>138</sup> A bowling experience that introduces an interactive arcade game type element to the bowling experience.

## Appendix E

### Transaction evidence

#### Bowlero Corp.

- 1 On 1 July 2021, Bowlero Corp. announced it had entered into a definitive agreement with ISOS Acquisition Corporation, a special purpose acquisition company (SPAC)<sup>139</sup>, which would result in Bowlero becoming a publicly listed company on the NYSE. Upon completion, the combined entity would have a pro-forma EV of approximately US\$2.6 billion. Following the completion of the business combination, Bowlero began trading on the NYSE on 16 December 2021.
- 2 At the time, Bowlero Corp. (which was previously known as Bowlmor AMF before being renamed Bowlero Corp. in 2018) was the largest owner and operator of bowling centres globally and also owned, operated and produced all the content for the Professional Bowlers Association (PBA Tour on FOX). As at the date of the transaction, Bowlero operated over 300 bowling centres across North America, which serviced more than 26 million guests annually.

#### Topgolf International Inc.

- 3 On 27 October 2020, Callaway Golf Company (Callaway) announced that it had entered into a definitive agreement with Topgolf, pursuant to which Callaway would acquire all the remaining shares in Topgolf that it did not already own by way of a scrip for scrip merger<sup>140</sup>. Upon completion, Callaway shareholders and Topgolf shareholders (excluding Callaway) were expected to own some 51.5% and 48.5% (respectively) of the combined company on a fully diluted basis.
- 4 The merger was subsequently approved by Callaway and Topgolf shareholders and completed on 8 March 2021.
- 5 At the time, Topgolf was a global sports and entertainment company that offered multiple forms of entertainment including venues with technology-enabled golf hitting bays, food and beverage and music, as well as mobile gaming, indoor multi-sport simulators, shot-tracking technology for golf television broadcasts and driving ranges, pop-up social experiences and exclusive digital content. The company operated 58 venues throughout the US in addition to five venues globally which serviced more than 23 million customers annually.

#### CEC Entertainment Inc. (2019)

- 6 On 8 April 2019, CEC Entertainment announced it had entered into a definitive business combination agreement with Leo Holdings Corp., a NYSE listed SPAC, which would facilitate the return of CEC Entertainment to the public market (having been taken private by

<sup>139</sup> Generally speaking a SPAC raises capital through an IPO for the purpose of acquiring an existing operating company. Subsequently (or concurrently), an operating company can merge with (or be acquired by) the publicly traded SPAC and become a listed company in lieu of executing its own IPO.

<sup>140</sup> At the date of announcement Callaway held approximately 14% of Topgolf's outstanding shares.

## Appendix E

Apollo Global Management (Apollo) in 2014)<sup>141</sup>. The proposed agreement, which was ultimately terminated in July 2019, valued CEC at an EV of approximately US\$1.4 billion.

- 7 At the time of the proposed transaction, CEC Entertainment was a leading owner, operator and franchisor of a global network of family orientated entertainment and dining venues across two complementary brands, “Chuck E. Cheese” and “Peter Piper Pizza” that provided a combination of games, entertainment, merchandise and food<sup>142</sup>. CEC Entertainment and its franchisees operated a system of 606 Chuck E. Cheese and 144 Peter Piper Pizza venues, with locations in 47 states across the US and 14 foreign countries.

### Bowlmor AMF

- 8 On 6 June 2017, Bowlmor AMF announced that Atairos Group Inc. (Atairos)<sup>143</sup> would acquire a substantial ownership position in Bowlmor from a group of previous investors led by Cerberus Capital Management L.P. As part of the transaction, Bowlmor AMF’s Chief Executive Officer would maintain his significant investment in the company. Financial terms of the transaction were not disclosed, however, press speculation indicated that the purchase price was more than US\$1 billion and that the transaction involved the purchase of a circa 77.5% interest<sup>144</sup>.
- 9 At the time, Bowlmor AMF was the largest operator of bowling centres in the world, with 295 locations in the US, seven in Mexico and three in Canada. Bowlmor AMF specialised in corporate and special events, as well as league and walk-in bowling. The company was created in 2013, following the merger of Bowlmor (an upscale bowling and entertainment company) and AMF Bowling Worldwide. Bowlmor AMF acquired Brunswick’s bowling centre business in 2014. Its portfolio of bowling retail brands included AMF, Bowlmor Lanes, Bowlero and a number of Brunswick related brands (the last of which it acquired as part of its 2014 acquisition of Brunswick Corporation’s bowling centre business).

### Brunswick bowling centres

- 10 On 17 July 2014, Bowlmor AMF announced that it had entered into an agreement with Brunswick Corporation (Brunswick) to acquire its bowling centre business for approximately US\$270 million.
- 11 At the time of the transaction, Brunswick’s bowling centre business had some 85 locations across the US and Canada. The centres operated under the Brunswick Bowling, Brunswick Zone, Brunswick Zone XL and more general Brunswick brand.

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<sup>141</sup> It should be noted that existing shareholders including funds managed by Apollo, expected to continue to hold an approximate 51% interest in CEC Entertainment upon completion of the transaction.

<sup>142</sup> “Peter Piper Pizza” was acquired by CEC Entertainment in 2014 (shortly after CEC Entertainment was acquired by Apollo) at an EV of approximately \$113 million. That said, there is insufficient publicly available earnings data to enable the calculation of an implied multiple.

<sup>143</sup> A private equity firm focused on supporting growth-orientated businesses.

<sup>144</sup> However, it remains uncertain as to whether the US\$1 billion relates specifically to the 77.5% interest acquired, or whether the US\$1 billion represents the implied value of 100% the equity based upon the price paid for the interest acquired.

## **Appendix E**

### **CEC Entertainment Inc. (2014)**

- 12 On 16 January 2014, CEC Entertainment announced it had entered into a definitive agreement with Apollo, whereby Apollo would acquire CEC Entertainment for US\$54 (cash) per share, implying an EV of approximately US\$1.3 billion. The offer price represented a 25% premium to CEC Entertainment's closing share price on 7 January 2014 (the last trading day prior to media speculation regarding a possible transaction).
- 13 At the time of the transaction, CEC Entertainment and its franchisees operated a system of 577 family orientated entertainment and dining venues under the "Chuck E. Cheese" brand (522 of the stores were company owned), across 47 US states and 10 foreign countries.

### **Dave & Buster's**

- 14 On 3 May 2010, Dave & Buster's announced that it had entered into a definitive agreement with Oak Hill Capital Partners (Oak Hill), whereby Oak Hill would acquire Dave & Buster's for approximately US\$574 million.
- 15 At the time of the transaction, Dave & Buster's owned and operated 56 venues across 24 US states and Canada offering interactive entertainment options such as skill / sports-oriented games and advanced video and simulation games combined with a full menu of food and beverages.



## Appendix F

### Glossary

Term	Meaning
1H	Six months to 31 December
2H	Six months to 30 June
4-Wall EBITDA	Individual centre contribution after an allowance for marketing and rent but before district and other support overhead costs
A\$/AUD	Australian dollar
AASB 16	Australian Accounting Standard AASB 16 – <i>Leases</i>
AFCA	Australian Financial Complaints Authority
ALUSH	Ardent Leisure US Holdings Inc.
Antitrust Approval	Approval of the Proposed Transaction under the HSR Act in the US (on 19 May 2022, Ardent Leisure announced that approval had been obtained)
Apollo	Apollo Global Management
Ardent DSTI	Ardent Leisure's Deferred Short Term Incentive Plan
Ardent Leisure / the Company	Ardent Leisure Group Limited
Ardent LTIP	Ardent Leisure's Long Term Incentive Plan
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Atairos	Atairos Group Inc.
ATO	Australian Taxation Office
ATO Liability	Deferred settlement payable by Ardent Leisure to the ATO
Bowlero	Bowlero Corporation
Bowling Centre	Bowling centre entertainment facility
Brighton Pier	Brighton Pier Group Plc
Brunswick	Brunswick Corporation
CAGR	Compound annual growth rate
Call Option	RedBird's call option that permits it to increase its interest in Main Event to a maximum 51% controlling interest any time between 30 June 2022 and 1 July 2024
Callaway	Callaway Golf Company
Capital Return	The return of capital component of the Proposed Distribution (see paragraph 237(a))
CAPM	Capital asset pricing model
Cash Consideration	US\$385 million, subject to purchase price adjustments on closing
CEC Entertainment	CEC Entertainment Inc.
Contingent Consideration	Deferred and contingent cash consideration of up to US\$14.8 million
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
CY	Calendar year
DCF	Discounted cash flow
DCF Model	A simplified, high level financial model of Main Event's operations developed by LEA
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax depreciation and amortisation
EV	Enterprise value
FEC	Family entertainment centre
Forecast Period	The 10 year period from 1 July 2022 to 30 June 2032
FSG	Financial Services Guide
FY	Financial year
Hollywood Bowl	Hollywood Bowl Group Plc
HSR Act	Hart-Scott-Rodino Antitrust Improvements Act of 1976
IER	Independent expert's report

## Appendix F

Term	Meaning
IFRS 16	IFRS 16 – <i>Leases</i>
IPO	Initial public offering
LEA	Lonerган Edwards & Associates Limited
LTM	Last 12 months
LTM Dec 21	Last 12 months to 28 December 2021
Main Event	Main Event Entertainment Inc. the parent entity of which is Ardent Leisure US Holdings Inc (i.e. ALUSH).
Main Event LTIP	Main Event Long Term Incentive Plan
Merger Agreement	Binding agreement between Ardent Leisure, RedBird Capital and Dave & Buster's dated 6 April 2022
MRP	Market risk premium
NPV	Net present value
NYSE	New York Stock Exchange
Oak Hill	Oak Hill Capital Partners
OOHE	Out of home entertainment
Proposed Consideration	The Cash Consideration and the Contingent Consideration
Proposed Distribution	Approximately A\$455.7 million (A\$0.95 per share) of Ardent Leisure's share of the residual Cash Consideration which will be returned to Ardent Leisure Shareholders in the form of a Capital Return and a Special Dividend
Proposed Transaction	The acquisition by Dave & Buster's of 100% of Main Event (on a cash and debt free basis)
QTC Facility	Queensland Treasury Corporation loan to Ardent Leisure
RedBird	Collectively, RedBird Capital and the RedBird Stockholder
RedBird Capital	RedBird Capital Partners
RedBird Obligors	RB ME Blocker, LLC, RB ME Series 2019 Investor Aggregator LP and RedBird Series 2019 GP Co-Invest, LP
RedBird Stockholder	RB ME LP, being an affiliated fund of RedBird Capital
Restructure Proposal	Refer paragraph 69
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
ROI	Return on investment
SPAC	Special purpose acquisition company
Special Dividend	The special unfranked dividend component of the Proposed Distribution (see paragraph 237(b))
TEN Entertainment	TEN Entertainment Group Plc
Theme Parks & Attractions LTIP	Ardent Leisure's Theme Parks & Attractions business' Long Term Incentive Plan
Topgolf	Topgolf International Inc.
TV	Terminal value
UK	United Kingdom
US	United States of America
US Facility	Main Event's US\$137.6 million term loan facility and US\$25.0 million revolving credit facility
US\$/USD	US dollar
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WANOS	Weighted average number of shares outstanding
Working Capital Peg	The amount, if any, by which the Closing Working Capital (as defined in the Merger Agreement) varies from the target working capital

## Proxy form

## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



### BY MAIL

Ardent Leisure Group Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



### BY FAX

+61 2 9287 0309



### BY HAND

Ardent Leisure Group Limited  
c/- Link Market Services Limited  
Level 12, 680 George Street, Sydney NSW 2000



### ALL ENQUIRIES TO

Telephone: 1300 720 560 Overseas: +61 1300 720 560



X99999999999

## PROXY FORM

I/We being a member(s) of Ardent Leisure Group Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY



the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy



or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **3:00pm (Sydney time) on Wednesday 29 June 2022** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a hybrid meeting whereby Shareholders can attend either (i) in person at the Sydney office of Gilbert + Tobin Lawyers, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000; or (ii) virtually by logging in online at <https://meetings.linkgroup.com/ALG22> (refer to details in the Virtual Meeting Onling Guide).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received by 3:00pm (Sydney time) on Monday 27 June 2022, being not later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

#### Resolutions

For Against Abstain\*

- 1 Approval of the Proposed Transaction

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

- 2 Approval of the Proposed Capital Return

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**The Board recommends voting in favour of each item of business.**



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)



Joint Securityholder 2 (Individual)



Joint Securityholder 3 (Individual)



Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

ALG PRX2201A



## HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either securityholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:00pm (Sydney time) on Monday 27 June 2022**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Ardent Leisure Group Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
Level 12  
680 George Street  
Sydney NSW 2000

\*During business hours Monday to Friday (9:00am - 5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**