MITTLEMAN BROTHERS
INVESTMENT MANAGEMENT

6 October 2020

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Market Announcements Platform
ASX Limited

Dear Sir/Madam

Village Roadshow Limited
Notice of Change of Interests of Substantial Holder

In accordance with the section 671B *Corporations Act 2001* (Cth), we **attach** a Form 604 (Notice of change of interests of substantial holder) on behalf by Mittleman Investment Management, LLC (**Mittleman**) and its associates (We) in relation to Village Roadshow Limited ACN 010 672 054 (the **Company** or **VRL**).

As long-term VRL shareholders for more than 3.5 years now, we recently increased our stake to just over 10% and wish to inform the market that we will vote our shares against both of the two concurrent schemes of arrangement (the **Schemes**) between BGH and VRL as currently proposed in the Implementation Agreement disclosed on August 6, 2020.

We encourage all VRL shareholders to also vote against these Schemes, as they appear to us to be unprecedented in structure, opaque in detail, and highly likely to confuse, coerce, and ultimately to deprive existing VRL shareholders (with the exception of the Kirby/Burke group, being the controlling shareholders) of the intrinsic value of their VRL shares.

The coercive nature of the dual structure (i.e. VRL shareholders (excluding the controlling shareholders) either choose structure A and get a bad deal, or the controlling shareholders will back structure B and force other VRL shareholders to get an even worse deal) is apparent and we believe likely harmful to retail shareholders, while the timing could not be more opportunistic, and the valuation is absurd. The consensus expectation from brokers monitoring VRL (according to Bloomberg) is that the company will produce $150M in EBITDA in FY 2022 (ending 30 June 22); likely its first fully normalized fiscal year. At the current mid-point of the Schemes, $2.225 per share, the market cap. is $435M (an 11.5% dividend yield if company returns to its average dividend payout of $50M annually over the 7 years from 2010-2016 (pre-Dreamworld accident, pre-COVID-19) and during which they averaged roughly $150M in EBITDA annually), and an EV/EBITDA of only 5x (assumes net debt of $315M by 30 June 22, from $278M on 30 June 20).

The Independent Board Committee (**IBC**), chaired by VRL lead director Peter Tonagh, seems to have rejected our claims, made privately and publicly during 2020 as to the inequities that we perceive these Schemes are attempting to foist upon VRL shareholders. It should be, in our view, common sense to reject this unprecedented dual-structure scheme at a rock-bottom valuation in the midst of one of the worst macro-economic back-drops in history, and where the controlling shareholders are conflicted. As the Morningstar

Australia analyst covering VRL, Brian Han, said in an interview on May 21, 2020, "they (VRL shareholders) shouldn't part with their shares on an extrapolation of the poorest conditions one can imagine."

In fact, those poor conditions seem to be lifting, and in our view the next couple of years should be better than average given pent up demand and a major redevelopment, led by the State of Queensland, that will bring huge improvements to the infrastructure surrounding VRL's Sea World theme park and Sea World resort, including an extension of a light rail train from Brisbane to stop directly at Sea World, and a potential port for cruise ships, and a new resort to be developed on the south side of Sea World which, if VRL bids and wins the project, would likely triple their room count from 405 rooms to over 1,200. VRL directors are certainly aware of these nearly imminent and undeniably beneficial developments, yet rather than extract fair value from the buyers, they have granted BGH, who offered $4.00 in January 2020, unanimous approval to buy out VRL shareholders for as low as $2.00 (i.e. the restructure cash price under structure B) just a few months later.

See this link for Queensland's master plan for enhancing the area around Sea World: https://dsdmipprd.blob.core.windows.net/general/the-spit-master-plan-may-2019.pdf

Also, VRL owns a very large production studio complex, with 9 sound stages, the last of which, Sound Stage 9, cost $17M and finished in 2016 and is at just over 40,000 sq. ft. (3,716 sq. meters), which makes the total complex 156,775 sq. ft. (15,381 sq. meters) and according to VRL, the "largest in the Southern Hemisphere." Given the secular growth in content production, after the hiatus from COVID-19, that business should grow substantially for years to come. And yet VRL does not break out the numbers for their studios business, burying it instead in the theme park numbers. That's too bad because such businesses tend to get higher multiples, for example a much larger competitor Pinewood Group (PWS LN) with studio production facilities (600,000 sq. ft.) outside of London was bought out for US$568M in 2016, at 14x EBITDA of US$41M. The implication being, VRL's studios business, almost completely hidden from view financially, might be worth more than its low profile suggests.

We further note that despite nearly three months of exclusive talks with BGH, the deal terms have actually worsened, with the mid-point dropping from $2.25 ($2.10 to $2.40) on 18 May 2020 to $2.225 ($2.00 to $2.45) on 6 August 2020. Whilst the VRL board of directors and IBC have accepted price reductions for border closings and movie release delays, they fail to account for the likely $2.50 per share contingent value right to which we estimate VRL should be entitled when shut-downs related to COVID-19 inevitably end, which would more than double the current value offered by BGH.

In VRL's recently released 2020 annual report for FY ended 30 June 20, on page 7 the Directors' Report twice referred to the challenges facing VRL's theme parks and movie theater businesses as "short term" in nature. In our view, VRL's Board cannot in good faith subject VRL shareholders to a low-ball cash-out for the "long term" (permanently) if they believe the adverse environment to be a short term problem. Thus, we request the

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IBC to do the right thing and withdraw its unanimous recommendation of the proposed Schemes.

VRL: consensus of broker estimates for EBITDA, fiscal year ending 30 June 22:

Date	FY 2022 Est. EBITDA	Source: Bloomberg BEst Standard
08/29/2020	$150M	
08/06/2020	$133M	← VRL agrees to BGH worsened terms, $2.00 to $2.45, on 8/6/20
05/20/2020	$140M	← VRL gives BGH exclusivity, now only $2.10 to $2.40, on 5/18/20
05/12/2020	$140M	
03/26/2020	$146M	
02/21/2020	$149M	
01/06/2020	$153M	← BGH offers $4.00 per share on 01/23/20
12/24/2019	$152M	← PEP offers $3.90 per share on 12/18/19, has call option 19% at $3.90
12/20/2019	$153M	

Given our belief that the IBC and the VRL board of directors have not properly discharged their duty to act in the interests of VRL shareholders by protecting them from blatant opportunism on the part of BGH, we have engaged legal counsel in Australia to petition ASIC in hopes of garnering regulatory intervention, and failing that, having our objections brought to the attention of the Court. If relief from ASIC and/or the Court is not forthcoming at the first Court hearing, we sincerely hope enough other shareholders (some of whom we know already share our views) will vote against these terrible Schemes so that BGH's opportunistic attempt is rejected on the shareholder vote.

Sincerely,

Christopher P. Mittleman

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