

Questions and answers regarding the proposed preferential rights issue

1. QUESTIONS RELATED TO THE NATURE OF THE TRANSACTION

1.1 Why have you chosen to issue “units” and not ordinary shares or preference shares?

Answer: We have tried to establish a capital structure that builds on the company’s strong cash flow as well as its underlying leverage capacity, while we reduce the financial risk (in accordance with our financial targets). We achieve this through an issue of hybrid capital securities, an instrument with perpetual maturity and equity treatment (meaning that the hybrid is not treated as a debt in our balance sheet). At the same time we have chosen to add warrants to the offer in order to keep the interest cost of the hybrid at a reasonable level and enable our shareholders to subscribe for new shares. The effect from the offer is that it limits the immediate dilution compared to a new share issue. It also acknowledges both the company’s and the shareholders’ needs.

1.2 Was this structural choice a must in order to solve the senior financing?

Answer: No, the executive management and the board have undertaken the objective to reduce the leverage and refinance the senior bond, either fully or partially. The board has evaluated several different financing alternatives. After this evaluation, the board considers the best solution for optimising the company’s capital structure to be a partial amortisation of the current senior bond. In order to avoid further dilution for the company’s current shareholders, we have at the same time chosen to retain a significant portion of the bond for future refinancing. The size and maturity profile of the remaining debt financing is at a level that the board is comfortable with and views as manageable.

1.3 How did you arrive at the strike price for the warrants?

Answer: The strike price of the warrants – the price that must be paid for each share when it is exercised – is set to the closing price on the day before the announcement of the rights issue (that is, 16 April 2020). Thus, the strike price is SEK 18.90 per warrant.

1.4 How was the interest set on the hybrid and who decided it?

Answer: The hybrid interest rate was set after discussions between the company, its financial advisors, and the investors guaranteeing the rights issue.

1.5 What does it mean that the nominal amount of the hybrids can be used to pay for the warrants, through set-off?

Answer: The statement means that offsetting permits use of the nominal hybrid amount (i.e. SEK 100 per hybrid) as payment for the strike price of the warrants. If someone wants to own ordinary shares in Catena Media rather than owning a hybrid, they can exercise their warrants and pay for the new shares by redeeming their hybrids instead of making a cash payment.

1.6 How did you arrive at the amount of SEK 684m in new capital?

Answer: The amount was calculated to cover both the company’s short- and long-term capital need, as well as to enable the amortisation of a significant portion of the current senior bonds, which will reduce the company’s senior net leverage from EUR 143m to about EUR 89m.

1.7 Are you paying interest or a dividend on the hybrid?

Answer: The “interest” that is paid out is handled as a dividend, which means it is not tax deductible for the company. As the hybrid is an instrument that is classified as equity under IFRS, the “interest” that is paid can be considered for all intents and purposes a share dividend.

1.8 Who is underwriting the rights issue besides Öresund?

Answer: A large portion of the issue – a total of about SEK 390m – is subscribed for and underwritten by the company’s larger shareholders. Besides these, the remaining guarantors are primarily professional Swedish investors.

1.9 What does it mean that the new rights issue is fully guaranteed?

Answer: A fully guaranteed rights issue means that subscription and underwriting commitments for the whole communicated amount already have been obtained from current shareholders (such as Öresund and Ruane, Cunniff & Goldfarb) as well as from a group of guarantors. With underwriting commitments follows that if the rights issue is not fully subscribed for, the guarantors have undertaken to subscribe for the portion of the offer that is unsubscribed for by the use of unit rights (i.e. from shareholders with unit rights or other parties who buy unit rights on the market), as well as for the portion not subscribed for without the use of unit rights. This arrangement provides transaction certainty and enables us as a company to plan based on a completed transaction.

2. QUESTIONS RELATED TO THE CURRENT SENIOR BOND

2.1 Why have you chosen not to pay off more than EUR 49.5m of the senior bond with a capital injection?

Answer: The amount of EUR 49.5m was negotiated through discussions with the largest holders of the current senior bonds, and will reduce the senior net leverage level from ca. 3.2x to ca. 1.9x adjusted EBITDA LTM. This will immediately bring us within the range of our financial targets.

2.2 Will a portion of this preferential rights issue be used to pay out any remaining earn-outs?

Answer: The rights issue will primarily be used to amortise on the current senior bond by EUR 49.5m. In addition, part of the net proceeds may be used for general corporate purposes (including acquisitions). It is not ruled out that part of the proceeds will be used to pay off the remaining earn-out from earlier acquisitions, or for paying off the drawn portion of the company’s revolving credit facility.

2.3 Why carry out a preferential rights issue now, when the company is still generating cash, has a relatively large cash position, and the current senior bond doesn’t mature until 2021?

Answer: The senior leverage level is currently outside the range set by the company’s financial targets. Given that there is less than a year remaining until the current senior bond matures, the company has decided to act conservatively and handle the situation well before the maturity date. Through the rights issue and the extension of the bond maturity date, it is our view that the company’s financial risk will be reduced substantially. This enables the company’s management and board to continue working in order to improve the company’s long-term financing. The leverage level is also continuously reduced through the company’s internally generated positive cash flows.

2.4 Do the terms of the current senior bond establish that the interest on the remaining EUR 100m has preference in some way over the hybrid?

Answer: The interest on the current senior bond must be paid quarterly. The interest on the hybrid can theoretically be decided to be postponed. According to the proposed amended terms for the current senior bond, interest on the hybrid may only be paid if the ratio of net interest-bearing debt to EBITDA does not exceed 3.0x. The senior bond also has priority before the hybrid instrument in a theoretical insolvency scenario.

2.5 What would happen if the company chose not to pay interest on the hybrid?

Answer: The company may, at any time, postpone the payment of interest on the hybrid partially or completely, as long as the announcement of the postponement is made at least 7 bank days before the scheduled interest payment date. If the company chooses to postpone an interest payment, the unpaid amount will carry the same interest as any other payment on the hybrid, at any given time. Interest payments may be postponed up until the date when the hybrid is redeemed.

2.6 Why is the interest on the financial cost of the hybrid higher than the interest on the current senior bond?

Answer: The financing cost will marginally increase compared to the current level in the near term. However, the new, somewhat higher financing cost, should be viewed in light of the current market situation, with a higher level of uncertainty compared to 2018, when the current bond was issued. If the company had conducted a full refinancing of the current senior bond with new senior financing today, the average cost of capital would likely be more than 5.5%. The warrants have a built-in mechanism that enables the unit subscriber to offset the hybrid against warrants. This will most likely result in some unit subscribers “turning in” their hybrids within the outset five-year period and convert them to ordinary shares. In this way the outstanding hybrid amount should continuously decrease over time, thus reducing the financing costs.

2.7 Why can the hybrid be accounted for as equity?

Answer: The Hybrid is deeply subordinated – it is a subordinated debt obligation – and thus is equated with equity in the company. The hybrid also has certain characteristics of preference shares. The interest can be postponed and the instrument is perpetual. The structure of the hybrid does not deviate significantly from other similar equity-classed hybrid instruments. The company’s auditor has approved the classification of the instrument as equity in accordance with IFRS. Catena Media also has the possibility to redeem the hybrid at a price equal to 101% of the nominal amount (if the redemption occurs before the first possible redemption day, and at a price equal to 100% of the nominal amount if redeemed thereafter), if the instrument is no longer classified or no longer will be classified as equity according to IFRS.

2.8 Why don’t you extend the maturity of the current senior bond by more than a year in order to further reduce the refinancing risk?

Answer: The extension of the maturity date has been decided through discussions with the largest holders of the current senior bond. A further extension would demand some type of additional cost or other concession of the terms of the bond. A 12 months extension is regarded to be sufficient in order to provide the company with enough headroom to focus on the ongoing business and any potential future refinancing.

3. SUBSCRIPTION QUESTIONS

3.1 What if I can't afford to subscribe just now?

Answer: If you are assigned warrants but can't afford to subscribe in the offer, you do have the possibility to use the value of the warrants you hold by selling them in the market. In this way you will partly be compensated for the potential dilutive effect of the transaction.

3.2 Can I keep this instrument in my brokerage account?

Answer: It is the company's intention that owners of hybrids and warrants should be able to trade these without difficulty. Subscribed units, consisting of hybrids as well as warrants, should appear in your brokerage account.

3.3 Is there a difference between a call option and a warrant?

Answer: Yes, the difference is that a warrant is issued by the company, not by any third party.

3.4 Will I have to pay anything when I convert warrants to shares in the company?

Answer: Yes, you will have to pay the strike price, i.e. SEK 18.90 for each warrant.

3.5 Will the unit subscription rights be traded on Avanza?

Answer: The unit subscription rights will be traded on Nasdaq Stockholm during a limited period. It is the company's intention that they should be able to be traded without any problem, including through online brokers such as Avanza.

3.6 What effect will it have on my holdings in the company if I decide not to subscribe to this new issue?

Answer: If you don't subscribe for your assigned share in the proposed rights issue, there is a risk that you will see your shares diluted if warrants are converted to shares in the future. However, as a shareholder, you have the opportunity to make use of the value of these warrants by selling them in the market. In this way you will be partly compensated for the potential dilutive effect of the transaction. The maximal dilutive effect if you don't subscribe will amount to 43%. This dilutive effect is based on the maximum number of shares that may be issued through conversion of the warrants, including those warrants that have been assigned to guarantors, divided by the total number of shares in the company after full conversion of the warrants.

3.7 Can I subscribe to the new issue through my Investment Savings Account (ISK-konto)?

Answer: Shareholders who hold their shares and have received Unit Subscription Rights through an Investment Savings Account should contact their brokerage (e.g. Nordnet or Avanza) regarding their internal routines for handling and administration.