Australian Government

Takeovers Panel

MEDIA RELEASE

No: TP13/29

Friday, 19 July 2013

Billabong International Limited – Panel Receives Application

The Panel has received an application from Oaktree Capital Management L.P. and Centerbridge Partners L.P.[1] in relation to the affairs of Billabong International Limited.

Details of the application, as submitted by the applicants, are below.

A sitting Panel has not been appointed at this stage and no decision has been made whether to conduct proceedings. The Panel makes no comment on the merits of the application.

Details

On 16 July 2013, Billabong announced that it had entered into:

- agreements with the Altamont Consortium,[2] including a US$294 million bridge facility to refinance Billabong's existing debt, the sale of the DaKine business and the issue of 84,519,582 options (representing 15% of the share capital of Billabong including the options) and
- commitment letters with the Altamont Consortium and GE Capital to provide a long term financing package for Billabong, including a loan of US$254 million (**loan**), the issue of a convertible note with a face value of US$40 million, convertible into redeemable preference shares, and a US$160 million revolving credit facility.

Until Billabong shareholder approval is obtained for the issue of the redeemable preference shares and a portion of the options, the interest rate under the convertible

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[1] On behalf of their affiliated funds Oaktree Principal Fund V, L.P., Oaktree Principal Fund V (Parallel), L.P. and Oaktree PF V (Cayman) 3 CTB Ltd, and CCP II Acquisition Luxco and Centerbridge Special Credit Partners II, L.P.

[2] Entities advised by Altamont Capital Partners and sub-advised by GSO Capital Partners (the credit arm of the Blackstone Group)

note is 35% per annum (**convertible note increased coupon**). If and when shareholder approval is obtained, the interest rate decreases to 12% per annum.

If the options are exercised and the redeemable preference shares are converted, they will in total represent between 36.25% and 40.49% of the fully diluted share capital of Billabong.

During an exclusivity period,[3] Billabong and the Altamont Consortium must use commercially reasonable efforts to pursue the long term financing. If Billabong does not use such efforts and completes alternative financing on or prior to 15 January 2014, or a change of control occurs before 15 January 2014 and as a result the bridge facility is repaid on or before 31 December 2013, repayment of the bridge facility is subject to a 20% premium based on the principal amount (**termination fee**).

The applicants submit that the convertible note increased coupon and termination fee amount to lock-up devices that are anti-competitive and coercive. The applicants also submit that there has been no disclosure of the terms of the exclusivity arrangements or the details of the circumstances in which the termination fee may be payable.

The applicants seek interim orders, including that drawdown of the bridge facility and completion of the DaKine sale (both anticipated to occur on or around 22 July 2013) be delayed until the Panel makes its determination.

The applicants seek final orders, including that clauses relating to the termination fee and the convertible note increased coupon be removed.

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[3] That ends on the earlier of closing an alternative financing (which would result in the payment of the bridge facility by parties other than the Altamont Consortium) and 31 December 2013