



TO ALL KNOWN CREDITORS

1 October 2020

Ref: MC/AJ/LR/NR/NN

Direct Line: 020 3727 1635

Direct Email:
coteadministrators@fticonsulting.com

Dear Sir/Madam,

Cote Restaurants Group Holdings Ltd (In Administration) - Company Number: 08659502

Cote Restaurants Ltd (In Administration) - Company Number: 05982915

Cote Kitchens Limited (In Administration) – Company Number: 12599618

Cote Group (Bidco) Ltd (In Administration) – Company Number: 08662633

Greenfields Meat Limited (In Administration) – Company Number: 09486138

Jackson and Rye Restaurants Limited (In Administration) – Company Number: 08504197

Limeyard Restaurants Limited (In Administration) – Company Number: 08207403

Taste Bidco Limited (In Administration) – Company Number: 09654975

Together (the “Group”)

Andrew Johnson, Lisa Rickelton and I of FTI Consulting LLP (“FTI”) were appointed as Joint Administrators (the “Joint Administrators”) over the Group on 28 September 2020. Please note that we are authorised by the Institute of Chartered Accountants in England and Wales, to act as Insolvency Practitioners.

Purpose of this letter

The term “pre-packaged sale” refers to an arrangement under which the sale of all or part of a company’s business or assets is negotiated with a purchaser prior to the appointment of the administrators and the administrators effect the sale immediately on, or shortly after, appointment.

The purpose of this letter is to inform creditors of the Group, in accordance with Statement of Insolvency Practice 16 (“SIP16”), of the background in relation to a pre-packaged sale and to demonstrate to creditors that such a pre-packaged sale has been undertaken with due regard to the interests of creditors.

Purpose of the Administration

The purpose of an administration is to achieve one of the following statutory objectives (in order):

- (a) rescuing the company as a going concern; or
- (b) achieving a better result for the company’s creditors as a whole than would be likely if the company were wound up (without first being in administration); or
- (c) realising property in order to make a distribution to one or more secured or preferential creditors.

Given the situation as set out further below, in particular the quantum of the Group's debt and its funding requirements, we concluded that it was not possible to rescue the Group as going concern. As a result, it was decided that statutory objective (b) should be pursued.

On 28 September 2020, immediately following our appointment, we sold substantially all of the business and assets of the Group to Cote Restaurant Group Ltd (Company No: 12873009), Cote Deliveries Ltd (Company No: 12873022) and Greenfield Food Supply Ltd (Company No: 12873026), (together the "Purchasers") (the "Transaction"). The Transaction, as described below and in Appendix I, was entered into to enable statutory purpose (b), achieving a better result for the Group's creditors as a whole than would be likely if the Group were wound up (without first being in administration).

Background to the Administration

The Group operates 98 restaurants under the Côte Brasseries brand and a further three under the Jackson & Rye and Limeyard brands, employing over 3,000 employees across the UK, specialising in freshly prepared French food in the mid-market casual dining sector, predominately located in London and the South East of England.

The Group was acquired by private equity firm CBPE Capital in 2013 with BC Partners ("BCP") taking a majority stake in July 2015. Debt funding was provided to the Group under a c£150m unitranche facility provided by HSBC Bank Plc ("HSBC") and various Partners Group funds ("Partners") together (the "Lenders"). Partners subsequently purchased HSBC's £10m super senior RCF, leaving Partners as sole lenders to the Group.

Like many other UK casual diners, the Group has been heavily impacted by COVID-19 and the nationwide lockdown resulting in the closure of all the restaurants on 23 March 2020 and all restaurant staff being placed on furlough. As such the Group drew down in full on their £10m RCF in March 2020.

Whilst the Group commenced a phased opening of the restaurants from 6 July, performance was significantly impacted following the lockdown such that the Group was in breach of certain financial covenants under the terms of its senior facilities with the Lenders. In addition, the Group had built material arrears with their creditors, notably landlords, in spite of continued negotiations to reach agreement on payment plans.

The Coronavirus Act 2020 which provided a moratorium on landlords taking enforcement action on their commercial tenants was due to expire on 30 September (subsequently extended to the end of the year) and therefore the full amount of rental arrears would fall due, resulting in a short term funding requirement of £0.7m by the end of November, which was forecast to peak at £10.6m in Jun 2021. Given the ongoing uncertainties in relation to COVID-19 and future potential lockdowns there remained a material risk that the funding requirement could significantly increase. Whilst the moratorium was extended shortly pre the Transaction date it did not alter the Group's peak funding requirement.

The Directors explored the option of securing additional funding ("New Money") from their shareholders, however the terms were unacceptable to the Lenders, who required any New Money to be subordinated to their existing indebtedness. Furthermore, the Lenders confirmed they were unable to provide additional liquidity to the Group on the basis of the current capital structure.

On 19 August 2020, the Directors concluded that the consensual restructuring and associated fundraising had not been successful. Further discussions took place with Partners who ultimately indicated their willingness to purchase the Group's business via a pre-pack administration. Given Partners' confirmed intention to acquire the Group's business via a pre-pack, there was no longer a reasonable prospect of avoiding formal insolvency and, accordingly, the Directors worked alongside their advisors to manage the net creditor position and maximise value in the business for the benefit of all creditors in the lead up to completing the Transaction.

Whilst there was sufficient liquidity in the Group to run a potential accelerated M&A process, on 17 September Partners issued a Reservation of Rights Letter confirming that the Group were in breach of their facilities and

the debt could be accelerated at any time, and, absent Lender support, any runway for an M&A process was eliminated.

Given Partners had expressed their willingness to purchase the Group, and based on the level of secured debt owed to them, plus accrued interest and the funding requirement, any offer would need to be in excess of c£165m.

BCP also confirmed that they understood the value breaks in Partners debt rather than the equity and that there was little merit in running an external process given the quantum of secured debt owed to Partners and that BCP had no interest in bidding for the Group.

Recent comparable transactions in the sector have traded at c4.0x pre COVID-19 EBITDA and comparable companies are currently trading at a similar multiples. Therefore, the total requirement of c£165m, equated to in excess of 9.0x of the Group's, pre COVID, FY19 EBITDA of c£18m, and c13.0x of the Group's LTM EBITDA of c£13m. Which is significantly higher than comparable, recent transactions in the sector.

At the date of appointment 94 stores had re-opened, leaving four Côte branded sites, two Limeyard sites and one Jackson & Rye site that remained closed.

Transaction

Immediately following our appointment as Joint Administrators on 28 September 2020 substantially all of the business and assets of the Group were sold to the Purchasers.

We concluded that the Transaction was in the best interests of the Group's creditors and the value maximised value in the circumstances, as:

- It ensured that 94 of the Group's 98 Côte restaurants would remain open, minimising business disruption, ensuring continuity for the business and its suppliers, protecting the Group's employees, preserving 3,148 jobs including the payment of any arrears, holiday pay and benefits
- The employees at the four Côte sites that did not reopen post lockdown will remain closed and every effort will be made by the Purchasers to redeploy the employees across the existing estate where feasible.
- The Transaction resulted in the realisation of the maximum prescribed part for the unsecured creditors of Cote Restaurants Ltd with any surplus realisations being captured by Partners' existing security.
- As part of the Transaction, the Purchasers committed to settle £3.0m of unsecured creditor claims left in Cote Restaurants Ltd, which would reduce total unsecured creditors in the administration thereby increasing the share of the prescribed part for the remaining unsecured creditors.
- Furthermore in the event Partners disposed of any of the Purchasers in the twelve months following completion for an amount greater than £150m, less professional costs and expenses, (equivalent to Partners' total secured debt at the date of the transaction), Partners would settle the lower of the aggregate amount of any and all outstanding unsecured and preferential creditor claims or the value of any surplus sale proceeds in excess of £150m.

Further details of the Transaction, its rationale and safeguards, are included in Appendix I

Proposals

In accordance with paragraph 49(5) of Schedule B1 to the Act, we are currently formulating our proposals which will be sent to creditors imminently and in any event within 7 days of the Joint Administrators appointment, a copy of these proposals will be made available at <http://www.fticonsulting-emea.com/cip/cote-group-administrations>

The Joint Administrators considered sending both the SIP 16 statement and the proposals concurrently, however, felt sending the SIP 16 immediately on appointment (whilst the proposals were finalised) offered the greatest transparency to creditors with the proposals to follow in short order.

Ethics

As insolvency practitioners we are bound by the Insolvency Code of Ethics and guided by Statement of Insolvency Practice 1 (SIP 1). Prior to our appointment we considered potential ethical threats in undertaking the administration in accordance with the Code, and we did not consider that there were any matters preventing us taking this appointment.

Should you have any queries in respect of the above please contact this office using the details provided.

Yours faithfully
For and on behalf of the Group,



Matthew Boyd Callaghan
Joint Administrator

The affairs, business and property of the Group are being managed by the Joint Administrators. The Joint Administrators act as agents of the Group and without personal liability.

Matthew Boyd Callaghan, Andrew Johnson and Lisa Rickelton are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales, under section 390A(2)(a) of the Insolvency Act 1986.

*The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at:
<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.*

FTI Consulting LLP ("FTI") uses personal information in order to fulfil the legal obligations of our Insolvency Practitioners under the Insolvency Act and other relevant legislation, and also to fulfil the legitimate interests of keeping creditors and others informed about the insolvency proceedings. You can find more information on how FTI uses your personal information on our website at <https://www.fticonsulting-emea.com/~media/Files/emea--files/creditors-portal/cip-emea-forms-info/cip-data-privacy.pdf>.

Appendix I

Information regarding the sale of the business and operating assets of Cote Restaurants Group Holdings Ltd, Cote Restaurants Ltd, Cote Kitchens Limited, Cote Group (Bidco) Limited, Greenfields Meat Limited, Jackson and Rye Restaurants Limited, Limeyard Restaurants Limited and Taste Bidco Limited (“the Group”) on 28 September 2018; as required by the Statement of Insolvency Practice 16 (“SIP16”)

Cote Restaurants Group Holdings Ltd, Cote Restaurants Ltd, Cote Kitchens Limited, Cote Group (Bidco) Limited, Greenfields Meat Limited, Jackson and Rye Restaurants Limited, Limeyard Restaurants Limited and Taste Bidco Limited (all in administration) (together “the Group”)

This appendix sets out the matters as required by SIP16

Initial introductions and pre-appointment matters

1. The source of the Joint Administrators’ initial introduction	<p>FTI was initially introduced to the Group by Goodwin Procter LLP on 27 August 2020.</p> <p>This followed a request from the Group to their lenders to appoint a financial advisor in anticipation of discussions around a potential liquidity requirement, financial restructuring and contingency planning in the event a solvent solution could not be achieved.</p>
2. The extent of the Joint Administrators’ involvement prior to the appointment	<p>FTI were retained by the Group on 27 August 2020 to undertake a review of the Group’s cashflow forecast to understand the quantum of any liquidity requirement, options available to the Group in light of the covenant breaches and to negotiate a potential deal with the current stakeholders.</p> <p>The engagement was led by Matthew Callaghan, who was ultimately appointed as one of the joint administrators.</p>
3. Alternative course(s) of action considered by the Joint Administrators and the possible financial outcome(s) of the alternative course(s) of action	<p>Alternative options compared with the potential outcome from the Transaction were:</p> <ul style="list-style-type: none"><i>i. Seeking additional sources of funding (“New Money”) from BCP, the Lenders or third parties either as debt or equity.</i> <p>A request was made to BCP to provide New Money which would grant the Group the time and liquidity required to restructure the business. BCP were unable to make additional funds available at terms that were acceptable to the Lenders. The Lenders also confirmed they were also unable to provide further liquidity to the Group given the existing capital structure.</p> <p>Furthermore, Partners were unwilling to accept any New Money ranking ahead of their existing indebtedness. As such any New Money to satisfy the upcoming liquidity requirement would need to be subordinated behind £150m of senior debt plus accrued interest, which would give total debt of c£165m, equating to c9.0x of the Group’s FY19 EBITDA of c£18m, and c13.0x of the Group’s LTM EBITDA of c£13.0m. This is significantly higher than comparable, recent transactions in the sector, which have traded at c4x pre-Covid EBITDA and comparable companies that are currently trading at similar multiples.</p> <p>In addition, the Group did not have any material unencumbered assets that</p>

they could fund against, and in the event there were it could have materially worsened the position for existing creditors making any such transaction significantly more challenging for the Directors.

ii. Continuing to trade the business outside of an insolvency process

On 19 August 2020, the Directors concluded that the consensual restructuring and associated fundraising had not been successful, however in the discussions that took place thereafter Partners had indicated their willingness to purchase the Group via a pre-pack administration.

Given at this point in time there were no reasonable prospects of avoiding formal insolvency, the Directors worked alongside their advisors to manage the net creditor position and maximise the value in the business for the benefit of all creditors in the lead up to completing the Transaction.

On 17 September Partners issued a Reservation of Rights Letter confirming that the Group remained in breach of their facilities and Partners could accelerate the debt at any time.

In addition, the Group had built up material creditor arrears, notably with Landlords (and trade). Given the forecast liquidity requirement it would have been highly likely that creditors would ultimately have taken enforcement action leading to a winding up petition and potential compulsory liquidation of the Group, especially in light of the media attention around the future of the Group.

A compulsory liquidation generally results in the least favourable outcome for creditors due to significant difficulties in continuing to trade the business, increased claims from redundant employees and unsecured creditors, notably landlords.

iii. a pre-packaged sale following a valuation exercise and marketing carried out prior to the Group's administration;

Whilst there was sufficient liquidity in the Group to run a potential accelerated M&A process following discussions with the major creditors it was concluded that:

- By virtue of the covenant breaches, the facilities could be accelerated and demanded at any point in time. This was confirmed following the issuance of the Reservation of Rights letter on 17 September;
- Partners had expressed their willingness to purchase the Group and based on the level of secured debt owed to them, plus accrued interest and the additional funding requirement, any offer would need to be in excess of c£165m;
- Comparable, recent transactions in the sector have traded at c4x pre-Covid EBITDA, which would equate to c£72m for the Group based on c£18m FY19 EBITDA and £52m based on LTM EBITDA.
- Partners would be the primary beneficiary from the sale of the Group and any subsequent realisations, as such the costs of any valuation and sales process would have been borne by the Group and directly impacted Partners realisations, who were unwilling to fund any additional costs for a formal valuation or sales process

	<p>following their decision to purchase.</p> <ul style="list-style-type: none"> - BCP also confirmed that they understood the value breaks in Partners debt rather than the equity and that there was little merit in running an external process given the quantum of secured debt owed to Partners and that BCP had no interest in bidding for the Group. - Furthermore it was unlikely that any sales process would realise the full potential value for creditors, and notably Partners, given the current economic climate and the impact of the pandemic.
4. Whether efforts were made to consult with major creditors	<p>The Group's creditors include:</p> <ul style="list-style-type: none"> • The Lenders under a c£150m unitranche facility; • Unsecured creditors in relation to the Group's obligations for certain commercial contracts e.g. leases; • Unsecured trade creditors and HMRC; • Employee arrears (wages, holiday and benefits); and • Intercompany payables. <p>We consulted extensively with the Lenders and BCP alongside their legal and financial advisors.</p> <p>We are therefore of the view that we have not only consulted extensively with the Group's largest creditors but that they are supportive of the Transaction, as evidenced by Partners eventual acquisition of substantially all of the business and assets of the Group.</p>
5. Details of requests made to potential funders to fund working capital requirements	<p>As mentioned above, both forbearance or waivers from Partners and access to further liquidity was needed for the Group to continue to trade as a going concern.</p> <p>All of the Group's assets were pledged in favour of the Lenders, and additional funding could not be raised, unless subordinated.</p> <p>Pre-appointment discussions were held between the Group, BCP and Partners to satisfy the liquidity requirement however a consensual solution could not be reached.</p> <p>In conclusion, as detailed above and based on recent comparable transition multiples, the administrators did not consider that funding of working capital requirements was available to the Group, absent the Transaction. Therefore, it was in the best interests of the creditors of the Group, to enter into the Transaction.</p>
6. Charges registered against the Group, including the date these were created	<ol style="list-style-type: none"> 1. The Group (save for Cote Kitchens Limited) acceded to the Deed of Accession dated 9 June 2017 to the Debenture dated 25 May 2017 granted by Taste Midco 2 Limited in favour of Glas Trust Corporation Limited as security agent. 2. Cote Restaurants Limited – Rent deposit deed dated 9 June 2017 in favour of Tealeaf Limited.
7. Details of any transactions	N/A

involving the acquisition of the business or business assets from an insolvency process within the previous 24 months and whether the Joint Administrators were involved	
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Marketing and valuation of the business and assets

<p>8. Marketing activities conducted; and 9. Valuations obtained of the business or the underlying assets</p>	<p>As detailed above, Partners confirmed that they were interested in acquiring substantially all the business and assets of the Group via a pre-pack administration and based on the level of secured debt owed to Partners, plus accrued interest and the additional funding requirement, any offer would need to be in excess of c£165m.</p> <p>Comparable, recent transactions in the sector have traded at c4x pre Covid EBITDA, which would equate to c£72m for the Group based on c£18m FY19 EBITDA and £52m based on LTM EBITDA, which was in line with the final consideration received</p> <p>Furthermore, Partners would be the primary beneficiary from the sale of the Group and any subsequent realisations, as such the costs of any valuation and sales process prior to the Transaction completing would have been borne by the Group and directly impacted Partners realisations.</p> <p>Partners were unwilling to fund any additional costs for a formal valuation or sales process following their decision to purchase substantially all the business and assets of the Group.</p> <p>In addition, based on the Group's balance sheet there were immaterial tangible assets, no freehold property, long term leases or material inventory and fixtures and fittings which did not require a formal valuation.</p>
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Transaction

10. The date of the transaction	The Transaction completed on 28 September 2020
11. The identity of the purchaser	Cote Restaurant Group Ltd (Company No: 12873009); Cote Deliveries Ltd (Company No: 12873022); and Greenfield Food Supply Ltd (Company No: 12873026)
12. Any connection between the purchaser and the directors, shareholders or secured creditors of the Company	The purchaser is a company owned by the Group's secured creditor, Partners.
13. The names of any directors or former directors of the Company who are involved in the management, financing or	The purchaser is an entity owned by the secured creditor of the Group. We are not aware of any connection to the current shareholders of the Group.

ownership of the purchaser, or of any other entity into which any of the assets were / will be transferred	Alex Scrimgeour the Group's CEO and Strahan Wilson the Group's CFO have both been transferred to the Purchasers as CEO and CFO respectively.
14. Whether any directors of the Company had given guarantees for amounts due from the Company to a prior financier and whether that financier is financing the new business	We are not aware of any guarantees provided by the directors of the Group to the Group's lenders.
15. Details of the assets involved and the nature of the transaction(s)	The Transaction comprised the sale of substantially all the assets in the Group. Full details are provided below.
16. The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration	The total consideration was £55m and the allocation of the consideration by asset and entity is set out in Appendix II. The consideration was structured such that Partners reduced their claim in the administration by £55m.
17. The consideration disclosed under broad asset valuation categories and split between fixed and floating charge realisations (where applicable) and the methods by which this allocation of consideration was applied	As detailed in Appendix II, consideration was allocated by the Partners based on the Group's latest Balance Sheet and Partners' view on the value of Goodwill in the Group. The consideration was reviewed for reasonableness by the Joint Administrators and their legal advisors.
18. Any options, buy-back arrangements or similar conditions attached to the contract of sale	In the event Partners disposed of any of the Purchasers in the twelve months following completion for an amount greater than £150m, less professional costs and expenses, (equivalent to Partners' total secured debt at the date of the transaction), Partners would settle the lower of the aggregate amount of any and all outstanding unsecured and preferential creditor claims or the value of any surplus sale proceeds in excess of £150m.
19. Details of any security taken by the Joint Administrators in respect of any deferred consideration.	N/A
20. If the sale is part of a wider transaction, a description of the other aspects of the transaction	N/A

Connected party transactions

21. Details of any connected party approaching the pre-pack pool and whether the pre-pack pool provided their opinion	N/A – as no connected party transactions. A secured creditor is not classified as a connected party for the purposed of referrals to the pre-pack pool.
22. Details from the connected party stating how the purchaser will survive for at least 12 months from the transaction date and what will be done differently (“Viability Statement”)	N/A – as no connected party transactions.

Appendix II

The consideration disclosed under broad asset valuation categories and split between fixed and floating charge realisations (where applicable)::

	Cote Restaurants				Jackson and Rye	Limeyard Restaurants	Cote Group (Bidco)			Total
	Cote Restaurants Ltd	Group Holdings Ltd	Greenfields Meat Ltd	Cote Kitchens Limited	Restaurants Limited	Limited	Taste Bidco Limited	Ltd		
Fixed Charge Realisations										
Plant	16,200,000.00	-	1,800,000.00	-	-	-	-	-	-	18,000,000.00
Business Names	14,400,000.00	-	800,000.00	-	-	-	-	-	-	15,200,000.00
Goodwill	3,624,984.00	50,000.00	1.00	-	-	-	-	-	-	3,674,985.00
Leasehold Properties	1,583,505.15	-	-	16,494.85	-	-	-	-	-	1,600,000.00
IT Systems	1,800,000.00	-	200,000.00	-	-	-	-	-	-	2,000,000.00
Assigned Rights	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00	1.00	7.00
Transferred Records	1.00	-	1.00	-	-	-	-	-	-	2.00
Supply Contracts	1.00	1.00	1.00	-	-	-	-	-	-	3.00
IP Contracts	1.00	1.00	1.00	-	-	-	-	-	-	3.00
Total Fixed Charge	37,608,493.15	50,003.00	2,800,005.00	16,494.85	1.00	1.00	1.00	1.00	1.00	40,475,000.00
Floating Charge Realisations										
Cash	12,825,000.00	-	-	-	-	-	-	-	-	12,825,000.00
Stock	1,530,000.00	-	170,000.00	-	-	-	-	-	-	1,700,000.00
Total Floating Charge	14,355,000.00	-	170,000.00	-	-	-	-	-	-	14,525,000.00
Total	51,963,493.15	50,003.00	2,970,005.00	16,494.85	1.00	1.00	1.00	1.00	1.00	55,000,000.00