DIGICEL — "Restructuring Update"

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DEBT RESTRUCTURING PROPOSAL

The Digicel Group aims to reduce debt by approximately US$1.7 billion through a restructuring plan at different entity levels. The restructuring is reportedly to involve US$1.17 billion at the DL (Digicel Limited) and DIFL (Digicel International Finance Limited) level. This is expected to reduce gross consolidated debt for the group to about US$3 billion from US$4.7 billion. This restructuring is also projected to reduce annual cash **interest expense** by approximately US$120 million. During the restructuring process, business is not expected to be disrupted as a bridge financing facility has been secured to continue regular operations.

The Digicel Group intends to equitize 100% of the of the DL and DIFL notes as well as refinance and extend the maturity of the company's other debts. The proposal intends to make existing creditors the main shareholders of the modified group structure. DL noteholders and DIFL subordinated debt holders will receive approximately 62% of the reorganized company's common equity. Noteholders will also receive the opportunity to participate in equity rights offerings that is projected to raise up to US$110 million in new capital. The potential capital raise is to be balanced with an agreement by a group of ad-hoc lenders which comprises Contrarian Capital Management LLC, Golden Tree Asset Management LP and PGIM Inc. and other lenders.

Digicel's founder, Denis O'Brien is expected to continue to be an equity holder in the recapitalized company. He is also to be one of nine directors of a reconstituted board.

THE NEW OFFERING

The current offering by Digicel provides two options to bondholders: **Option 1** offers to investors their pro-rata share of (i) cash of US$50 million, (ii) New Note 1A and (iii) New Note 1B. **Option 2** offers to investors their pro-rata share of (i) cash of $50 million, (ii) New Note 2A and (iii) New Note 2B. **Option 1 is the default option and only bondholders who own the minimum issue size, according to the bond prospectus, have the right to vote**. Most clients therefore, are likely to see their Investment Manager vote on their behalf.

Analyst's Opinion / Concerns

The details of the new offerings are not abundantly clear. While we welcome the pro-rata cash attached to both options, the details of the associated tranches (1a, 1b, 2a, & 2b) have not been outlined in a clear term sheet so that investors are fully aware of what each option entails. This restricts the analyst's ability to choose the best option.

We do not have details of the company's audited financials so that we know the true state of affairs. Investors are being asked to accept an equity stake and re-admit the former chairman to the board without having sufficient knowledge of the company's financial health. The profile of the other proposed board members would also be welcome.

***Source:* Bloomberg; FITCH Ratings Agency; Oppenheimer & Co. Ltd.**

APPENDIX

IMPORTANT DISCLOSURES

ABSTRACT—As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation **DEFINITIONS/RECOMMENDATIONS**.

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