

PJT Partners



# Project Galaxy

**PRESENTATION TO THE BOARD OF DIRECTORS**

May 23, 2016

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# Project Galaxy Term Sheet

<b>New Share Class</b>	<ul style="list-style-type: none"> <li>&gt; Lunar to authorize the issue of Class B No Vote Common Stock as consideration in the merger with Solar</li> </ul>
<b>Offer Consideration</b>	<ul style="list-style-type: none"> <li>&gt; Solar Class A Shares           <ul style="list-style-type: none"> <li>• \$23.25 cash consideration per Solar Class A Share</li> <li>• 0.392 shares in the form of Lunar Class B No Vote Common Stock per Solar Class A Share at a fixed exchange ratio, representing \$715mm total equity consideration at Lunar share price of \$19.79<sup>(1)</sup></li> <li>• 0.251 warrants issued per Solar Class A Share</li> </ul> </li> <li>&gt; Solar Class B Shares           <ul style="list-style-type: none"> <li>• \$25.58 cash consideration per Solar Class B Share</li> <li>• 0.431 shares in the form of Lunar Class B No Vote Common Stock per Solar Class B Share at a fixed exchange ratio, representing \$62mm total equity consideration at Lunar share price of \$19.79<sup>(1)</sup></li> <li>• 0.276 warrants issued per Solar Class B Share</li> </ul> </li> </ul>
<b>Offer Price at Lunar Share Price of \$19.79<sup>(1)</sup></b>	<ul style="list-style-type: none"> <li>&gt; \$31.67 per Solar Class A Share</li> <li>&gt; \$34.83 per Solar Class B Share (10% premium to Solar Class A)</li> </ul>
<b>Warrants</b>	<ul style="list-style-type: none"> <li>&gt; Warrants issued to Solar shareholders representing 10% of the Pro Forma combined company</li> <li>&gt; \$40 strike price</li> <li>&gt; 24 month expiration from transaction close</li> <li>&gt; Warrants entitle Solar shareholders to Lunar Class B No Vote Common Stock</li> <li>&gt; Warrants to be exercised on a net basis</li> </ul>
<b>Cash Funding</b>	<ul style="list-style-type: none"> <li>&gt; Lunar to fund cash component of \$2.3bn via incremental debt raised</li> <li>&gt; Total financing of \$3.3bn including refinancing of existing Solar debt</li> <li>&gt; \$500 million rights issue of Lunar Class B No Vote Common Stock with issuance of rights to all shareholders of the Pro Forma combined company           <ul style="list-style-type: none"> <li>• Right issue undertaken at a 25% discount to TERP<sup>(2)</sup></li> <li>• Assumed to take place post merger with the proceeds applied to debt pay down</li> <li>• Tradeable</li> </ul> </li> </ul>

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(1) Lunar price as of 5/20/16.  
 (2) Theoretical Ex-Rights Price.

# Illustrative Merger with Solar

(\$ in millions except per share prices)

<b>Total Value Offered per Solar Class A Share</b>	<b>\$31.67</b>
Cash Value	23.25
Stock Value	7.75
Warrant Value <sup>(1)</sup>	0.67
<b>Warrants</b>	
Strike Price	\$40.00
Warrants as % of Post Deal Fully Diluted Shares	10%
Expiration	24 Months From Close
<b>Aggregate Consideration</b>	
Cash Consideration	<b>\$3,176</b>
Lunar Class B No Vote Common Stock	2,332
Warrants	777
	67

## PRO FORMA LEVERAGE

Based on \$23.25 Cash Consideration Per Solar Class A Share

	PF FY2017E EBITDA <sup>(3)</sup>		
	PF EBITDA Excl. Synergies & [*] \$725mm <sup>(4)</sup>	PF EBITDA Excl. Synergies \$775mm <sup>(5)</sup>	PF EBITDA Incl. Cost Synergies \$810mm <sup>(6)</sup>
Gross Debt Pre Rights Offering <sup>(7)</sup>	\$4,205	\$4,205	\$4,205
Gross Debt Pre Rights Offering / PF FY2017E EBITDA	[*]	5.4x	5.2x
Gross Debt Post Rights Offering <sup>(7)</sup>	\$3,705	\$3,705	\$3,705
Gross Debt Post Rights Offering / PF FY2017E EBITDA	[*]	4.8x	4.6x

Source: Company filings and Capital IQ.

Note: Market data as of 5/20/16.

(1) Based on warrants issued at the current Lunar Share Price.

(2) Malone / Liberty / Discovery / Maffei ownership.

(3) Based on Lunar Adjusted EBITDA of \$250mm and Solar OIBDA of \$525mm in FY17E.

(4) Excludes synergies and [\*]

(5) Excludes synergies.

(6) Includes \$35mm of run-rate cost synergies.

(7) Assumes Solar 12/31/16E debt of \$1,007mm, Solar 12/31/16E cash of \$25mm, Lunar 12/31/16E debt of \$910mm, Lunar 12/31/16E cash of \$68mm and minimum cash of \$50mm. Assumes Lunar stops paying dividends post announcement of transaction.

## OWNERSHIP BASED ON \$23.25 PER SOLAR CLASS A SHARE

<b>PF Economic Ownership (No Warrant Dilution)</b>	
MHR	15.9%
M / L / D / M <sup>(2)</sup>	9.3%
<b>Total Lunar</b>	<b>79.4%</b>
<b>Total Solar</b>	<b>20.6%</b>
<b>PF Voting Ownership (No Warrant Dilution)</b>	
MHR	20.0%
M / L / D / M <sup>(2)</sup>	9.5%
<b>Total Lunar</b>	<b>100.0%</b>
<b>Total Solar</b>	<b>-</b>

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# Implied TEV/FY2017E EBITDA Multiple at Various Offer Prices

Based on FY2017E EBITDA (Pre-SBC) Multiples

## EXCLUDING NPV OF TAX SYNERGIES

		Offer Price Per Solar Class A Share <sup>(1)</sup>			
		\$29.00	\$31.00	\$33.00	\$35.00
Solar Adj. EBITDA	\$450	8.8x	9.3x	9.8x	10.3x
	\$475	8.3x	8.8x	9.3x	9.8x
	\$500	7.9x	8.4x	8.8x	9.3x
	\$510	7.8x	8.2x	8.7x	9.1x
	\$525	7.5x	8.0x	8.4x	8.8x
	\$550	7.2x	7.6x	8.0x	8.4x
	\$560	7.1x	7.5x	7.9x	8.3x

## INCLUDING NPV OF TAX SYNERGIES<sup>(2)</sup>

		Offer Price Per Solar Class A Share <sup>(1)</sup>			
		\$29.00	\$31.00	\$33.00	\$35.00
Solar Adj. EBITDA	\$450	7.3x	7.8x	8.3x	8.8x
	\$475	6.9x	7.4x	7.8x	8.3x
	\$500	6.5x	7.0x	7.4x	7.9x
	\$510	6.4x	6.8x	7.3x	7.7x
	\$525	6.2x	6.7x	7.1x	7.5x
	\$550	5.9x	6.3x	6.8x	7.2x
	\$560	5.8x	6.2x	6.6x	7.0x

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- FY2017E EBITDA (Pre-SBC)
- FY2017E EBITDA (Pre-SBC) [\*]
- FY2017E EBITDA (Pre-SBC) including \$35mm of cost synergies
- FY2017E EBITDA (Pre-SBC) [\*] and including \$35mm of cost synergies

Source: Capital IQ and Bloomberg.

Note: Market data as of 5/20/16. Analysis shows implied TEV / FY17E multiples of Solar at various prices upon closing. Valuation includes Lunar ownership in Solar.

(1) Offer value of cash and stock consideration only. Excludes value of warrants. Includes 10% premium for Solar Class B stock.

(2) Assumes \$693mm total value of tax synergies based on run rate tax benefit of \$60mm discounted at Lunar's cost of equity (8.7%).

# Illustrative Accretion / Dilution Analysis

[\*] and \$500mm Post-Transaction Rights Offer

	FY2017E
<i>Without Synergies</i>	
<b>LFCF / Share</b>	
\$ Accretion / (dilution)	\$0.32
% Accretion / (dilution)	36%
<b>Diluted Earnings / Share</b>	
\$ Accretion / (dilution)	\$0.47
% Accretion / (dilution)	37%
<i>With Synergies<sup>(1)</sup></i>	
<b>LFCF / Share</b>	
\$ Accretion / (dilution)	\$0.72
% Accretion / (dilution)	80%
<b>Diluted Earnings / Share</b>	
\$ Accretion / (dilution)	\$0.86
% Accretion / (dilution)	69%

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Source: Capital IQ and PJT estimates based on Wall Street research and discussions with Lunar Management.  
 (1) Includes \$35mm of run-rate cost synergies and \$60mm of run-rate tax synergies.



# Has / Gets Analysis

## BASED ON FY2017E

(\$ in millions except per share data)

(Balance sheet data estimated as of 12/31/16E)

	Post-Merger Total	Owner of a Single LGF Share		
		Has	Gets	Δ
<b>Adj. EBITDA Per Share</b>				
Unadjusted	\$775	\$1.65	\$4.06	\$2.41
[*]	[*]	[*]	[*]	[*]
<b>Synergies (annual)</b>				
Cost Savings	\$35	-	\$0.18	\$0.18
Tax Savings	60	-	0.31	0.31
<b>Financial (Liabilities) / Assets</b>				
Net Debt	(\$4,155)	(\$5.55)	(\$21.76)	(\$16.21)
Equity Investments and Other Financial Assets and (Liabilities) <sup>(2)</sup>	899	6.36	\$4.71	(1.65)
Total Financial (Liabilities) / Assets	(\$3,256)	\$0.81	(\$17.05)	(\$17.86)

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Source: Capital IQ and PJT estimates based on Wall Street research and discussions with Lunar Management.

Note: As of FY2017E. Excludes Rights Offering.

(1) Based on market value. Includes minority interest in Pilgrim Studios. Equity investments adjusted for full consolidation of Solar.

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