

DealPointData.com (<https://www.dealpointdata.com>)

MDC Partners Inc.

Press Release: Update - Indaba Capital Issues New Presentation Detailing Opposition to Barely Revised

Terms of MDC-Stagwell Combination on 07/12/2021

Source Document (<https://www.businesswire.com/news/home/20210712005400/en/>)

July 12, 2021 07:15 AM Eastern Daylight Time

SAN FRANCISCO--(BUSINESS WIRE)--Indaba Capital Management L.P. (together with its affiliates, "Indaba" or "we"), which is the largest independent shareholder of MDC Partners Inc. (NASDAQ: MDCA) ("MDC" or the "Company"), today issued a new presentation detailing its opposition to the barely revised terms of the Company's prospective merger with Stagwell Media LP ("Stagwell"). The revised terms were released by MDC and Stagwell on Friday, July 9th.

Derek Schrier, Managing Partner of Indaba, commented:

"Due to Mark Penn's unwillingness to compromise and propose revised transaction terms that reflect current equity market valuations and the present health of the advertising industry, we continue to oppose the prospective combination with Stagwell. We are not going to acquiesce to Mr. Penn's desire to ram through self-serving deal terms that undervalue MDC's public company structure, lack an appropriate control premium and rely on completely outdated pandemic economics. We made Mr. Penn aware of these lingering concerns earlier in the month, when we also told him Indaba is aligned with certain fellow shareholders who have indicated a willingness to support a deal that includes total consideration equal to 35% of the newly combined entity's shares (a level far below Indaba's previously stated range of 37.5%-40%). Unfortunately, we find that the revised terms released on Friday ignore this feedback and continue to perpetuate the deal's many issues:

- **Insufficient Consideration** - Despite including a third increase in consideration from 30.6% to 31.2% of the newly combined entity's shares, MDC and Stagwell ignored major shareholders' desire to compromise by not coming close to 35% consideration. It appears the revised terms continue to place next to no value on MDC's public structure, synergies and net operating loss benefits. The revised consideration also fails to take into account the dramatic recovery in the industry, as evidenced by the rising enterprise values of peers highlighted in our updated presentation.
- **Insufficient Transparency** - The revised terms were not accompanied by an affirmative commitment to release the new Moelis & Co. fairness opinion and the underlying analysis. Indaba only received a verbal commitment (with no timeline) after a follow-up request on Friday.
- **Insufficient Investor Support** - Once again, MDC and Stagwell have put out revised terms without any formal support or voting agreements from unaffiliated shareholders, indicating to us continued shareholder skepticism. Notably, the market appears to share our view of the revised terms based on the fact that MDC's shares barely moved in reaction on Friday – a day in which the NASDAQ and industry peers were up.
- **Insufficient Governance** - The new *enhancements* are an insult to unaffiliated shareholders. We take no solace in 2/3 of the newly combined entity's Nominating & Corporate Governance Committee being *independent* directors who currently serve with Mr. Penn in MDC's boardroom. These same directors seem to have made no attempt to shop MDC before rushing into a deal with Mr. Penn (after he was Chairman and Chief Executive Officer). It is important to reinforce that a majority of the identified directors for the newly combined entity appear to have direct personal or professional overlap with Mr. Penn.

We hope that Mr. Penn, who seems to have mistaken this process for a game of political poker, comes to understand that he cannot rely on bombastic negotiating threats and non-negotiated, immaterial bumps that lack shareholder support to get this deal done. Shareholders are not oblivious to his immense economic incentives and the fact that he stands to receive 75% of Stagwell's profits. In light of the extraordinary conflicts hanging over this transaction, we contend that it is long past time for MDC's shareholders to receive a credible proposal that takes into account their feedback and sound financial analysis."

About Indaba Capital

Indaba was founded in 2010 to invest in corporate equity and debt. Based in San Francisco, Indaba currently has more than \$1.5 billion in assets under management. Learn more at www.IndabaCapital.com.

Contacts

MKA

Greg Marose / Charlotte Kiaie, 646-386-0091

gmarose@mkacomms.com / ckiaie@mkacomms.com

