



UFO Moviez India Ltd. and Qube Cinema Technologies Pvt. Ltd. Announce Combination of their Businesses

Mumbai, November 01, 2017: The Boards of Directors of UFO Moviez India Limited (“UFO”) and Qube Cinema Technologies Private Limited (“Qube”) (formerly Real Image Media Technologies Private Limited), at their meetings held today, approved a Composite Scheme of Arrangement and Amalgamation (“Scheme”), amongst UFO, Qube, Qube Digital Cinema Private Limited (“Qube Digital”), Moviebuff Private Limited (“Moviebuff”) and PJSA Technosoft Private Limited (“PJSA”), pursuant to the provisions of Section 230 to 232 and other relevant provisions of the Companies Act, 2013.

Qube, Qube Digital and Moviebuff are part of the Qube group whereas PJSA is a wholly owned subsidiary of UFO.

The proposed transaction is being carried pursuant to the Scheme on the basis of which Qube’s business of providing technology solutions and services in the film, video and audio domains, including digital cinema advertising will be first demerged into Qube Digital and then subsequently merged with UFO pursuant to certain intermediate steps as approved by the Boards of Directors of the aforementioned companies. The merger ratio based on relative Valuation stands at 63.6% for UFO and 36.4% for Qube Digital.

One of the intermediate steps mentioned above will include ICICI Venture (through certain private equity funds managed or advised by them) along with UFO purchasing a stake in Qube Digital from certain private equity investors who have been shareholders of Qube for several years. Qube Digital’s shares purchased by UFO will stand cancelled post-merger.

The proposed transaction is expected to further solidify the merged entity’s position in India’s digital cinema distribution and in-cinema advertising industry. As on June 30, 2017, the combined entity, for its in-cinema advertising platform will have a presence across 7,300 digital screens spread across India with a seating capacity of ~95.5 million per week.

The proposed Scheme is subject to the requisite statutory and regulatory approvals.

Rationale of the proposed transaction:

- UFO and Qube are engaged in the business of digital cinema distribution and operate in-cinema advertising platforms. Considering the existing entertainment and advertising market dynamics, the proposed merger of the two companies will lead to robust growth opportunities in India and globally and will create greater value for their respective shareholders.
- UFO currently uses MPEG4 technology for the transmission of content into e-Cinema theatres whereas Qube uses MPEG2 technology for e-Cinema theatres and has also developed its own DCI compliant servers. Going forward, it is expected that the combined entity will develop and deploy both D-Cinema and e-Cinema systems that incorporate the best features of the multiple technologies available to the company and will thus be in a position to offer its clients viz: the film industry and advertisers a comprehensive bouquet of services.

- Both UFO, with ~4,000 advertising screens, and Qube, with ~3,300 advertising screens, have large advertising networks. The two companies also have complementary geographical strengths with Qube having a deeper penetration in South India and UFO having a similar presence in the rest of India. The merged business will therefore be able to offer a pan India in-cinema advertising network covering over 7,300 screens, significantly improving the overall value proposition for clients. The two companies also have complementary strengths in terms of client base, presenting attractive cross-sell opportunities.
- Further, the proposed merger would bring about synergies of operations and benefits of scale by minimizing the duplication of administrative functions, combining some infrastructural requirements and unifying legal and regulatory compliances.
- Qube has developed a self-service single-window content and digital rights management platform for movies called Qube Wire. This service is currently in the process of commercialization but is already in operation on a limited-scale serving select clients. UFO, in addition to its screen network in India, also has a network of screens overseas. The combined network, post-amalgamation, will allow faster monetization of Qube Wire and other IP based Qube products, both within India and internationally.
- The combined entity is also expected to leverage ICICI Venture's significant prior experience as a private equity investor in new age businesses, including media and technology.

Commenting on the event, **Mr. Sanjay Gaikwad, Founder and Managing Director of UFO Moviez India Ltd.**, said

"We are excited to combine our business with such a strong partner. Qube has not only built a strong digital cinema and in-cinema advertising network in India but has also developed interesting technology products relating to film business for global application. The combined Company would have a stronger position in India's digital cinema distribution and in-cinema advertising industry. The combination will bring together capabilities, talent, strong processes of both Companies and we together look forward to creating value for the entire Cinema value chain."

Mr. Senthil Kumar, Co-founder of Qube Cinema Technologies Pvt. Ltd., said

"We are excited to partner with UFO and believe that the combination of the proven business models of the two companies would be extremely beneficial. Together, we will create a robust network offering digital cinema and in-cinema advertising services. UFO's strengths combined with Qube's strong technology focus would position the combined entity to deliver long-term growth at a faster pace. With extraordinary reach and execution capabilities, we are bringing together two world-class organizations to deliver much more, thus maximizing value for all stakeholders."

Mr. Prashant Purker, Managing Director & CEO of ICICI Venture., said

"We believe the combination of UFO and Qube would be synergistic and value accretive for all stakeholders. We are pleased to have acted as a catalyst in this transaction as a partner and financial investor in the combined entity."

Financial Advisor, Recommendation and Fairness Opinion

In relation to the transaction, Axis Capital Limited has acted as financial advisor to UFO.

Walker Chandio & Co. LLP has provided the Share Swap Ratio recommendation for the proposed merger. Axis Capital Limited has provided a fairness opinion on the Share Swap Ratio from a financial point of view.

About UFO Moviez India Ltd.

UFO, founded in 2004, is a digital cinema distribution network and an in-cinema advertising platform. It operates India's largest satellite based, digital cinema distribution network using its UFO-M4 platform, as well as India's largest D-Cinema network. As on June 30, 2017, UFO has 5,390 digital screens in India across 1,422 cities and towns with seating capacity of ~2.2 mn capacity per show. For its in-cinema platform, UFO has 4,032 in-cinema advertising screens with an average weekly seating capacity of ~51.6 Mn across 1,416 town and cities across India. UFO is listed on the BSE Limited and National Stock Exchange Limited in India.

About Qube Cinema Technologies Pvt. Ltd.

Qube, founded in 1986, has over 30 years of experience in film, video and audio technology. It is headquartered in Chennai and has offices across Mumbai, New Delhi, Hyderabad, Bengaluru, Cochin and Kolkata. It provides technology solutions and services in the film, video and audio domain, including digital cinema. It's mastering facilities are located in Chennai, Mumbai, Hyderabad, Cochin, Dubai (in association with a strategic partner) & California (through 100% subsidiary Qube Cinema Inc.,) and has capacity to master over 40 films/ week. As on June 30, 2017, Qube has 3,300 digital screens in-cinema advertising screens with an average weekly seating capacity of ~43.9 Mn across India.

About ICICI Venture Funds Management Company Limited

ICICI Venture Funds Management Company Limited is a leading Indian alternative asset management company that is widely regarded as a prime mover in the Indian alternative assets industry. ICICI Venture is a wholly owned subsidiary of ICICI Bank Limited. Having been established in 1988, ICICI Venture currently manages / advises capital pools across four distinct verticals – Private Equity, Real Estate, Special Situations (in a strategic alliance with Apollo Global Management, US) and Infrastructure. Since 2002, the company has raised a historical AUM of over USD 4.15 billion. It was one of the first Indian private equity fund management companies to complete a buyout deal in India, and it has since established a successful track record across multiple sectors and economic cycles.

Safe Harbour

Certain statements in this update concerning our future growth prospects are forward looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The achievement of such results is subject to risks, uncertainties and even inaccurate assumptions. Readers may please take a note of this.

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