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The Merchants Trust PLC Announces Renegotiation of Debt **Refinancing will cut the cost of borrowing and help manage gearing**

The Merchants Trust PLC has today entered into a 3-year revolving credit facility (RCF) with Scotiabank Europe PLC for £42 million.

The proceeds of the RCF will be used towards an early repayment of the Company's borrowings of £42m from Fintrust Debenture PLC (Fintrust) on 7 August 2019. This will significantly reduce the cost of debt. The board's programme of refinancing has seen the Company's weighted average interest rate on all borrowings fall from 8.5% in January 2018 to 6.0% today, and following this refinancing exercise it will be 3.5%.

The refinancing will enhance both the revenue earnings and capital returns*. While the cost of redemption will initially reduce the NAV per share by 0.5%, or 2.3 pence per share, with debt at fair value, and 2.2%, or 11.4 pence per share, at book value, the refinancing exercise is expected to reduce the total annual interest cost by approximately £2.9m, or 2.6 pence per share.

Simon Fraser, Chairman of the Company, commented: "This year the Merchants Trust celebrates its 130th Anniversary. In that time, we have successfully navigated two world wars, the Wall Street Crash and the 2008 financial crisis – so we are well experienced in adapting to changing market conditions. The refinancing of the Company's long-term debt – introducing a balance of short-, medium-, and long-term debt enables the board to manage gearing more proactively. This will not only lower the cost of debt in a significant way and benefit performance, it will help us carry on our legacy, so we can continue to build on our 37 consecutive years of dividend growth. This refinancing supports Merchants' objective of delivering an above average level of income and income growth, together with long term growth of capital, through a policy of investing mainly in higher yielding large UK companies."

The Company has two tranches of debt from Fintrust. The first tranche of £30 million was issued in 1993 at an effective interest rate of 9.51%. The second tranche of £12 million was assumed from an existing borrower in 1998 at an effective interest rate of 6.0%. The Fintrust debt was due to mature

in 2023. The total cost of redeeming the debt is £56.2m plus accrued interest. The balance of the cost will be funded from existing assets.

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* The Company charges 65% of the cost of debt to its capital account and 35% to its revenue account.