



IN PARTNERSHIP WITH
A&O SHEARMAN



PRELIMINARY ROUND PROPOSITION

THE ECO MERGER

THE NATIONAL LAW UNIVERSITY JODHPUR
**INTERNATIONAL DEAL
NEGOTIATION COMPETITION**
IN PARTNERSHIP WITH A&O SHEARMAN

28TH FEBRUARY - 2ND MARCH, 2025

BACKGROUND INFORMATION

Celestia Ventures

Celestia Ventures, founded in 2011 by hospitality industry icon Robert Haines, has quickly risen as a prominent name in luxury hospitality. Renowned for its fresh and innovative take on upscale experiences, Celestia now boasts a portfolio of 8 unique brands across 40 cities. Its flagship properties, such as The Haven and Glenridge, have redefined modern luxury by fusing personalized guest preferences with top-tier amenities to deliver unforgettable stays.

Celestia's emphasis on tailored luxury and high-end experiences earned it a feature in Unnova Magazine's "25 Hot Hotel Chains to Watch", a milestone that underscored the brand's potential for wider influence. Motivated by this recognition, Robert saw an opportunity to drive the company's growth further by branching into sectors aligned with contemporary values, specifically targeting the growing demand for sustainable hospitality.

Consequently, Celestia formulated a strategy to establish a strong presence in the sustainable hospitality industry. Guided by this vision, Celestia has been expanding its portfolio with a focus on brands committed to sustainability and authentic cultural engagement. Among these, Robert identified Terranova, a brand that has lately gained acclaim for its innovative approach to sustainable hospitality, as a key acquisition target.

Robert recognizes that it would take several years to establish an environmentally conscious brand presence organically, and this would be incompatible with Celestia's ambitions for an accelerated entry into sustainable hospitality. He is of the view that a strategic acquisition would be the best way forward because this would allow Celestia to supplement its expertise in luxury hospitality with the credibility and experience of an established sustainable hospitality brand.

Robert hopes to get Terranova on board as soon as possible with the aim of pioneering a new era of eco-friendly luxury that would set a benchmark for the hospitality industry.

Terranova

Terranova was founded by the young entrepreneur Michael Eastwood in 2016. What began as a small sustainable retreat in Solana Beach has now grown into a globally recognised brand with properties in 10 countries, all rooted in the principles of sustainability, community, and shared human experiences. Michael's vision from the outset was to create spaces where guests could connect with nature, each other and the local culture in a meaningful way. Each Terranova destination is renowned for delivering immersive guest experiences centred on sustainability, community engagement and environmental peace.

Under Michael's leadership, Terranova has become synonymous with memorable stays that go far beyond the traditional hotel experience. It is no longer seen as just a hospitality brand but a manifestation of the wider sustainability movement. Terranova properties are meticulously designed and operated with a minimal environmental footprint, using sustainable materials and incorporating zero-waste practices. Over the years, Terranova has attracted a loyal following of environmentally conscious travellers who seek more than just luxury.

This approach has earned Terranova numerous accolades including, the Eco-Friendly Hotelier of the Year Award in 2019 and 2020 and the Sustainable Travel Award in 2022.

As Terranova charts its path forward, Michael has acknowledged the need for a strategic partnership to spread the company's vision globally and to compete with emerging brands in this fast-developing sector. Terranova is eager to expand its international footprint while maintaining its uncompromising commitment to sustainability. This has led the company to enter into discussions with Celestia Ventures.

However, the company has received expressions of interest from other prominent players in the hospitality sector, each eager to integrate Terranova's sustainable ethos into their portfolios.

GENERAL INFORMATION

Celestia Ventures has identified Terranova as a key acquisition target to enhance its portfolio with eco-conscious brands. The proposed acquisition aligns with Celestia's emerging focus on sustainability and inclusive guest experiences.

In mid-2024, Celestia initiated a process to explore the potential acquisition of Terranova. During that process, Celestia held itself out as the best player in the industry to partner with and carry forward Terranova's environmentally conscious approach. For Celestia, expanding into the sustainable hospitality industry is a key priority. Acquiring Terranova would not only strengthen Celestia's position in the environmentally conscious market segment but also enhance its brand image as a leader in responsible and innovative hospitality. Moreover, Terranova's loyal customer base and established presence in key markets provide Celestia with the perfect platform to quickly expand its presence in that segment.

On the other hand, Terranova finds itself at a critical crossroads. Despite its strong brand and loyal customer base, the company has faced significant financial challenges in recent years. Terranova had previously engaged with potential investors to fuel its ambitious expansion plans. However, due to certain reasons, Terranova was unsuccessful in closing the deal. The result has been a strain on its cash flow, making it difficult to meet

ongoing operational expenses, including staff salaries and the maintenance of its properties. That said, Terranova has now received competitive bids from various parties in addition to Celestia.

There are ongoing discussions for Celestia to acquire 60% of the shareholding of Terranova's holding company. The following key issues remain open in the negotiations:

- **Payment Structure:** One of the critical points in the negotiation will be the structure of the deal, particularly how the consideration for 60% of the shareholding will be made. Celestia has proposed blended payment plan consisting of 80% equity and 20% debt wherein 80% of the consideration will be paid upfront and the remaining 20% would be structured as a debt to the company, which shall be payable at an interest of 18% p.a..
- **Governance and Control:** A significant aspect is the governance structure post-acquisition. Michael is keen on retaining a sufficient level of control to ensure that Terranova's core values are upheld, and proposes to have a seat on Celestia's board of directors along with a variety of veto rights. Celestia, while open to involving Michael in strategic decisions, seeks to integrate Terranova fully into its existing governance framework.

- **Representations and Warranties:** Celestia requires clear and unambiguous representations regarding title and ownership, as well as a wide range of operational warranties. Celestia is proposing to seek an indemnity from Michael confirming that all warranties given on behalf of Terranova are true, failing which Celestia shall have a right to seek compensation up to an amount equivalent to 100% of the purchase consideration.
- **Preservation of Brand Identity:** Maintaining Terranova's existing brand identity is non-negotiable for Michael, given the company's loyal customer base. However, Celestia plans to integrate Terranova into its broader portfolio over time, and this may require certain changes to Terranova's existing brand identity.
- **Non-Compete:** Celestia is proposing a global restriction clause that seeks to restrict Michael from starting, owning, operating or participating in any business that competes directly with Terranova for the period Michael remains a shareholder in the company and for a period of 6 years thereafter. Michael is pushing for a shorter restriction period of 2 years.
- **Exit Provisions:** Considering market uncertainties and potential risks, both parties are expected to negotiate exit provisions. There is an obvious ask by Celestia of a mandatory exit by Michael a pre-determined price over the next 3 years, so that Celestia can get a full control over Terranova. However, Michael is not convinced with the mandatory exit as he wants to be associated with Terranova and

continue his vision in the long term. He is therefore leaning towards a default event-based exit option at a price which should be based on the valuation of the company at the time of exercise of such option. In essence, Michael is suggesting that he should be required to exit the company only if he defaults on any of his obligations and the value of his 40% shareholding should be determined based on the valuation of the company at the time of his exit.

These critical issues have created an impasse in the negotiations. The outcome will hinge on whether the parties can reconcile their differences and forge an agreement that respects the special requirements and strategic objectives of both parties, ensuring a successful integration that upholds Terranova's core values while allowing Celestia to achieve its growth ambitions.