EXCELSIOR CAPITAL LIMITED

Financial Services Guide and Independent Expert's Report

December 2023

We have assessed the Proposed Transaction to be Fair and Reasonable to Shareholders

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RSM

FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“**RSM Corporate Australia Pty Ltd**” or “**we**” or “**us**” or “**ours**” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“**FSG**”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("**AFCA**"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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4 December 2023

The Directors
Excelsior Capital Limited
Level 29, Chifley Tower
2 Chifley Square
Sydney, NSW, Australia

Dear Directors

INDEPENDENT EXPERT'S REPORT

Introduction

This Independent Expert's Report (the "**Report**" or "**IER**") has been prepared to accompany the Notice of Meeting and Explanatory Statement) ("**Notice**") to be provided to shareholders for an extraordinary general meeting of Excelsior Capital Limited ("**ECL**" or the "**Company**") expected to be held on or around 25 January 2024, at which shareholder approval will be sought for the sale of 100% of the issued share capital of CMI Operations Pty Ltd ("**CMI**" or the **"Target"**) to IPD Group Limited ("**IPD**") ("the **Proposed Transaction**").

Purpose of the report

ECL operates through two segments, the management of an investment portfolio, and the provision of electrical components via its wholly owned subsidiary, CMI.

ASX Listing Rule 11. 2 states that if an entity proposes to make a significant change to the nature or scale of its activities involving the disposal of its main undertaking, the entity must not enter into an agreement to dispose of its main undertaking unless the agreement is conditional upon the entity obtaining approval from its securities holders.

The Directors of ECL have requested that RSM Corporate Australia Pty Ltd ("**RSM**" or "**we**" or "**us**" or "**ours**"), being independent and qualified for the purpose, express an opinion whether the Proposed Transaction is fair and reasonable to ECL shareholders ("**Shareholders**").

General

The request for approval of the Proposed Transaction is the sole Resolution in the Notice. We have set out the Resolution below.

"*That, under and for the purposes of Listing Rule 11.2, and for all other purposes, approval is given for the Company to give effect to, and implement, the Proposed Transaction, the terms of which are described in the Explanatory Memorandum (of which this Notice of Meeting forms part), with or without any non-substantive alterations or conditions agreed in writing by the Company.”*

The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

Summary of opinion

In the absence of any other relevant information and/or a superior proposal, RSM considers the Proposed Transaction to be **Fair and Reasonable** to Shareholders and, therefore, **in the best interests of Shareholders**.

We have formed this opinion for the reasons set out below.

Approach

In assessing the fairness and reasonableness of the Proposed Transaction to Shareholders, we have considered RG 111, which provides specific guidance as to how an expert is to appraise transactions.

RG 111 provides ASIC’s views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

RG 111 states that the expert report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

RG 111 provides specific guidance on how a transaction should be analysed if the transaction is a control transaction, whereby a person acquires, or increases a controlling stake in a company, achieved by a number of different legal mechanisms, or involves a related party transaction requiring shareholder approval under Chapter 2E of the Corporations Act or under ASX Listing Rule 10.

RG 111 applies the “fair and reasonable” test as two distinct criteria in the circumstance of a takeover bid, stating:

- a takeover offer is considered “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- a takeover offer is considered “reasonable” if it is fair or, where the offer is “not fair”, it may still be “reasonable” if the expert believes that there are sufficient reasons for security holders to accept the offer.

Consistent with the guidelines in RG 111, we have considered whether the Proposed Transaction is "fair and reasonable" to Shareholders by undertaking:

- a comparison of the Fair Value of CMI (on a controlling basis) and the Fair Value of the Consideration payable under the terms of the Proposed Transaction in our assessment of fairness; and
- a review of other significant factors which Shareholders might consider prior to approving the Proposed Transaction, in our assessment of reasonableness.

The other significant factors considered also include:

- the future prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to Shareholders as a consequence of the Proposed Transaction proceeding.

Our assessment of the Fair Value of CMI has been prepared on the following basis:

"the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length"

Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this report.

Fairness opinion

The table below sets out our assessed Fair Value of the Consideration payable for CMI compared to our assessed Fair Value of CMI.

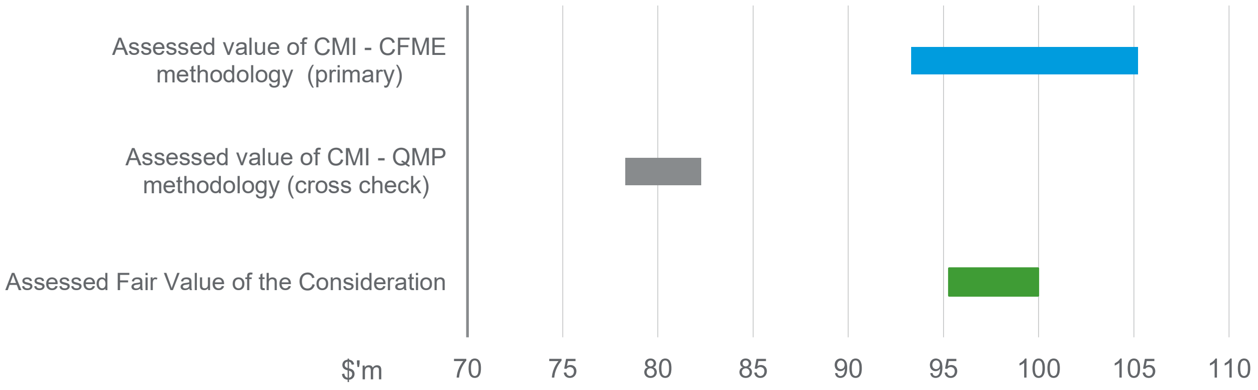
Table 1 Valuation summary

	Low $'000	High $'000	Preferred $'000
Assessed value of CMI - CFME methodology (primary)	93,324	105,224	99,199
Assessed value of CMI - QMP methodology (cross check)	78,288	82,275	80,281
Assessed Fair Value of the Consideration	95,296	99,973	97,638

Source: RSM analysis

We have summarised the values included in the table above in the chart below.

Figure 1 Valuation summary - graphical representation



Having regard for the fact that our assessed Fair Value range of the Consideration sits within the Fair Value range of CMI under our primary methodology being the CFME methodology, in accordance with the guidance set out in RG111, and in the absence of any other relevant information, we consider the Proposed Transaction to be **Fair** to the Shareholders of ECL.

Our assessed Fair Value of CMI and Fair Value of the Consideration does not reflect adjustments for relevant net cash or net debt adjustments that may apply upon completion. Given we have valued both the Fair Value of CMI and the Fair Value of the Consideration on a like for like basis, we consider this to be a reasonable approach to adopt.

Whilst the actual upfront Consideration received may differ to our assessment due to the application of the net cash or net debt adjustments, we consider that any such adjustments would also result in a commensurate adjustment to our assessed Fair Value of CMI, such that the Proposed Transaction would remain Fair to the Shareholders of ECL.

Reasonableness

RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- the future prospects of ECL if the Proposed Transaction does not proceed;
- the trading of ECL shares following the announcement of the Proposed Transaction;
- other commercial advantages and disadvantages to Shareholders as a consequence of the Proposed Transaction proceeding; and
- alternative proposals to the Proposed Transaction.

Future prospects of ECL if the Proposed Transaction does not proceed

If the Proposed Transaction is not approved, we have been advised that the objective of the ECL directors will be to continue to manage, operate and grow the CMI business as they have done historically.

Response of the Market to the Proposed Transaction

ECL’s Share price closed at $2.75 on the day prior to the announcement of the Proposed Transaction (27 November 2023) and rose to a close of $3.20 on 28 November 2023, the date the Proposed Transaction was announced. Since then, ECL Shares have closed in the range of $3.05 to $3.20 and traded at an intraday high of $3.31.

The VWAP of ECL’s Shares for the period after the announcement to close on 30 November 2023 was $3.16, which was 15.0% higher than the 5- and 10-day VWAP prior to the announcement of the Proposed Transaction of $2.75 and 14.5% higher than the 30-day VWAP of $2.76.

Based on the above, we consider the market has reacted favourably to the announcement of the Proposed Transaction.

Advantages and disadvantages of approving the Proposed Transaction

The key advantages of the Proposed Transaction are:

Table 2 Advantages of the Proposed Transaction

Advantage	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to Shareholders.
Enables ECL to structure its investment portfolio	The Directors of ECL consider that the completion of the Proposed Transaction will enable ECL to structure its investment portfolio in a manner which aligns with the Company's broader long-term investment objectives. Proceeds from the divestment of CMI will allow ECL to strategically reallocate its capital resources to take advantage of emerging investment opportunities and focus on the Company's strategy to become a leading Australian listed investment company.
Better understanding of ECL's business strategy by market participants may result in an increased share price reflecting the underlying value of ECL's assets and increased liquidity.	ECL currently operates with two relatively diverse business segments, comprising of the electrical components operational business of CMI, together with its capital investment portfolio management business. As noted in Section 5.2 of our report, prior to the announcement of the Proposed Transaction, ECL's market capitalisation (adjusted for a control premium), was trading at a discount to the Fair Value calculated on a sum of the parts basis by adding our Assessed Fair Value of CMI to the reported value of CMI's investment portfolio and net cash. We consider that this discount may, in part, be a result of ECL having two diverse business divisions, which investors do not perceive as being aligned and, therefore, a discount has been applied. Completion of the Proposed Transaction will result in ECL focussing on being a listed investment company, which in turn may be a clearer strategy for investors to understand and value, potentially resulting in ECL's future share price being more reflective of its underlying assets and investments. This may also result in improved liquidity of the Company's shares and hence a more efficient market for Shareholders to dispose of their shares.

The key disadvantage of the Proposed Transaction is:

Table 3 Disadvantages of the Proposed Transaction

Disadvantage	Details
Change in nature and scale of operations	The change in nature and scale of the operations of ECL post divestment in ECL may not fit the risk or investment profile of Shareholders.

Alternative proposals to the Proposed Transaction

ECL has undertaken a formal sale process to divest CMI and engaged Houlihan Lokey as corporate advisors in relation to the sale process. The Directors consider that the Proposed Transaction is the best offer received as a result of the sale process.

We are not aware of any alternative proposal at the current time which might offer Shareholders a greater benefit than the Proposed Transaction

Conclusion on Reasonableness

In our opinion, the position of Shareholders of ECL if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for Shareholders.

General

An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by their individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD

Andrew Clifford
Director

Nadine Marke
Director

1. Summary of the Proposed Transaction

1.1 Overview

ECL has entered into a conditional share sale and purchase agreement ("**SSPA**") with IPD to facilitate the Proposed Transaction, being the sale of 100% of the issued share capital of CMI to IPD, in exchange for the Consideration.

Under the terms of the SSPA, IPD will acquire CMI for the Consideration set out below ("**the Consideration**"):

- an up-front cash payment of $92.1m; and
- a contingent payment of 6 dollars for every dollar by which CMI's FY24 EBIT result exceeds its FY23 EBIT result, up to a maximum of $8.9m ("**Contingent Payment**"). The Contingent Payment will be settled in cash.

The terms set out above are subject to a completion adjustment based on the level of net working capital and net debt/cash held by CMI at Completion.

For the purposes of calculating the Contingent Payment under the SSPA, FY23 EBIT is defined as $15.4m.

1.2 Key Conditions of the Proposed Transaction

Completion of the Proposed Transaction is subject to the following conditions precedent:

- no material adverse change to CMI between the date of the SSPA and the date of Completion;
- ECL Shareholders approving the Proposed Transaction, by the requisite majority at the Extraordinary General Meeting for the purposes of Chapter 11 of the Listing Rules; and
- consent or waivers of each landlord required as a result of the Proposed Transaction under CMI's property leases having been obtained in a form satisfactory to IPD (acting reasonably).

2. Scope of the Report

2.1 Purpose of this Report

The Directors of ECL have requested that RSM, being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to Shareholders.

2.2 Basis of evaluation

In assessing the fairness and reasonableness of the Proposed Transaction to Shareholders, we have considered RG 111, which provides specific guidance as to how an expert is to appraise transactions.

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Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

3. Profile of ECL and CMI

3.1 Overview

ECL (formerly CMI Limited) (ASX:ECL) operates through two segments, the management of an investment portfolio, and the provision of electrical components via its wholly owned subsidiary, CMI.

The investment portfolio segment represents investments in listed and unlisted equity instruments, hybrid notes, quoted debt instruments and/or investment trusts for the purpose of achieving long term dividend returns and capital appreciation. The investment fund segment also provides growth funding to the electrical business, being CMI.

CMI engineers and markets a portfolio of electrical cables and plug brands in Australia and operates two business segments as follows:

- Electrical cable supply business ("**Cables**"), comprising a portfolio of cable brands servicing the requirements of all segments of the electrical industry including:
    - XLPE Cables: supplying lower and high voltage applications such as commercial and industrial sub-mains, factories, utility infrastructure, and variable speed drive motors and control systems across roads, airports, tunnels, and other infrastructure projects;
    - Aflex Cables: flexible cables for use in applications where tight or difficult access is restrictive or where movement occurs. Supplied for switchboards, generators, sound and lighting, batteries, variable speed drive motors, submersible pumps and low voltage control systems; and
    - Hartland Cables: a leading range of Audio, Coaxial, Control, Data, Instrumentation, UL Approved Connecting Wire, Copper Braid, Screened and Unscreened Multicore and Multipair cables.

  The Cables division also locally assembles flexible cords and cable assemblies to cover a comprehensive range of types for applications such as medical, technology, lighting and entertainment as well as traditional original equipment manufacturers ("**OEM**") markets. This includes combining wiring and connectors such as basic cable assemblies and complex wiring harnesses to customised requirements; and

- Couplers and receptable products business ("**Minto Plugs**"), comprising of the provision of underground couplers and receptable products for the Australian underground mining industry, as well as exports to mining installations in Indonesia, Mongolia, Papua New Guinea, and China. The Minto Plugs are primarily assembled in Sydney, with the upgraded version of the Minto plug range (refer below) assembled offshore (initially in China).

CMI is also currently launching an upgraded version of its Minto Plug range specifically designed to be used in above ground applications including open cut surface mining, infrastructure tunnelling, construction and industrial operations.

3.2 Directors and management

The directors and key officers of ECL are summarised below:

- Danny Herceg (Non-executive Director and Chair);
- Leanne Catelan (Executive Director);
- Ryan Mount (Non-executive Director and joint Company Secretary); and
- Brent Hofman (Chief Financial Officer and joint Company Secretary).

3.3 Financial Performance

The following table sets out a summary of the financial performance of ECL on a consolidated basis for the three years ended 30 June 2023 extracted from the audited financial statements of the Company.

Table 4 ECL historical financial performance

Excelsior Capital Limited **Financial performance ($'000)**	**FY21** ***Audited***	**FY22** ***Audited***	**FY23** ***Audited***
Revenue			
Revenue from contracts	75,064	93,426	104,028
Revenue	**75,064**	**93,426**	**104,028**
Revenue growth	*N/A*	*24.5%*	*11.3%*
Cost of sales	(55,764)	(68,746)	(75,491)
Gross margin	**19,300**	**24,680**	**28,537**
Gross margin %	*25.7%*	*26.4%*	*27.4%*
Operating expenses			
Employee costs	(6,475)	(7,357)	(8,052)
Repairs, maintenance and consumables expense	(244)	(237)	(365)
Occupancy expense	(351)	(718)	(886)
Travel and communication expense	(242)	(301)	(426)
Freight and cartage expense	(1,525)	(1,404)	(1,736)
Investment portfolio management and administration expenses	(198)	(107)	(23)
Other expenses	(962)	(1,709)	(1,646)
Total operating expenses	**(9,997)**	**(11,833)**	**(13,134)**
Other income	277	451	876
EBITDA	**9,580**	**13,298**	**16,279**
EBITDA margin %	*12.8%*	*14.2%*	*15.6%*
Depreciation	(1,518)	(1,478)	(1,400)
Amortisation	(253)	(244)	(224)
EBIT	**7,809**	**11,576**	**14,655**
EBIT margin %	*10.4%*	*12.4%*	*14.1%*
Finance costs	(206)	(136)	(119)
Net profit before tax	**7,603**	**11,440**	**14,536**
Income tax expense	(2,203)	(3,440)	(4,290)
Net profit after tax	**5,400**	**8,000**	**10,246**

Source: Audited accounts for FY21, FY22 and FY23

The ECL financial results include income from investments and costs related to the investment portfolio and the corporate, compliance and administration costs of ECL as the listed parent company of CMI. The table below sets out the EBIT result of CMI on a stand-alone basis, inclusive of the 4 months to 31 October 2023 ("**YTD24**").

Table 5 CMI historical financial performance

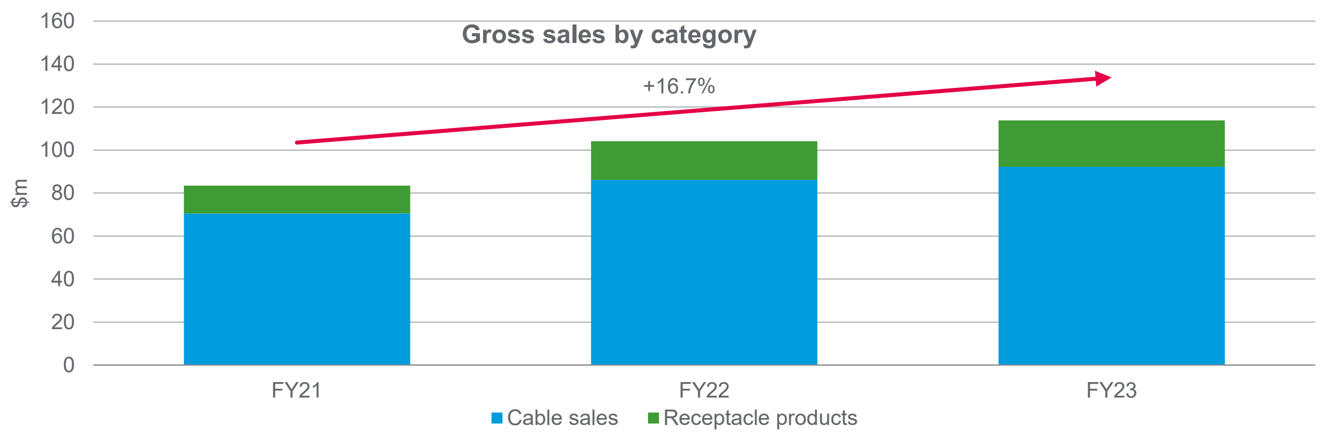
CMI Financial performance ($'000)	FY21 *Mgt*	FY22 *Mgt*	FY23 *Mgt*	YTD24 *Mgt*
Revenue				
Revenue from contracts	75,064	93,426	104,028	36,240
Revenue	**75,092**	**93,452**	**104,074**	**36,240**
Revenue growth	*N/A*	*24.5%*	*11.4%*	*N/A*
Cost of sales	(55,764)	(68,746)	(75,491)	(26,169)
Gross margin	**19,327**	**24,707**	**28,583**	**10,071**
Gross margin %	*25.7%*	*26.4%*	*27.5%*	*27.8%*
Operating expenses				
Employee costs	(6,028)	(6,831)	(7,635)	(2,672)
Repairs, maintenance and consumables expense	(244)	(237)	(362)	(142)
Occupancy expense	(228)	(629)	(908)	(764)
Travel and communication expense	(204)	(251)	(391)	(159)
Freight and cartage expense	(1,525)	(1,404)	(1,736)	(591)
Other expenses	(565)	(857)	(709)	(234)
Total operating expenses	**(8,794)**	**(10,208)**	**(11,742)**	**(4,561)**
Other income	225	179	136	51
EBITDA	**10,758**	**14,678**	**16,977**	**5,561**
EBITDA margin %	*14.3%*	*15.7%*	*16.3%*	*15.3%*
Depreciation and amortisation	(1,763)	(1,714)	(1,615)	(152)
EBIT	**8,995**	**12,964**	**15,361**	**5,409**
EBIT margin %	*12.0%*	*13.9%*	*14.8%*	*14.9%*

Source: Management accounts for FY21, FY22. FY23 and YTD24

We note the following in relation to CMI's financial performance:

- CMI generated revenue growth at a compound annual growth rate ("**CAGR**") of 16.7% over the three years to FY23. The chart below provides a summary of gross revenue over the 3 years to 30 June 2023.

Figure 1 CMI gross revenue growth by product category



- Cable sales represent circa 81% of total sales with the growth over the Historical Period primarily driven by the XLPE and Aflex product ranges driving sales from new customers, together with continued growth in Government and private infrastructure and construction project spending.
- Coupler / receptacle product sales in the Minto Plugs segment of the Business increased circa 19% in FY23, primarily as a result of increased mining sector growth in the local and international markets.
- Revenue is typically generated from products sold into large infrastructure, construction or mining projects.
- Gross margins increased from 25.7% to 27.5% from FY21 to FY23 driven by changes in the product mix including growth in the Minto Plugs product segment and higher margin product categories in the Cables business.
- Operating expenses have remained broadly consistent as a percentage of revenue over the Historical Period. Employee costs have declined as a percentage of revenue from 8.0% in FY21 to 7.3% in FY23 due to efficiencies in the operations of the Business over the Historical Period.
- The EBIT results for FY21, FY22 and FY23 are presented in accordance with AASB16 – Leases. YTD24 EBIT results are sourced from management accounts and operating leases are presented on a pre AASB-16 basis.
- We note that the Business generated an EBIT result of $5.4m for YTD24, representing an 9% increase on $5.0m for the same period last year. Revenue increased by circa 2% over the same period.

3.4 Financial Position

The table below sets out a summary of the audited financial position of ECL as at 30 June 2021, 30 June 2022 and 30 June 2023.

Table 6 ECL historical financial position

Excelsior Capital Limited Balance sheet ($'000)	FY21 *Audited*	FY22 *Audited*	FY23 *Audited*
Current assets			
Cash and cash equivalents	15,394	17,907	22,796
Trade and other receivables	15,893	19,522	20,756
Inventories	18,631	27,270	23,316
Total current assets	**49,918**	**64,699**	**66,868**
Non-current assets			
Investments	3,248	3,204	4,842
Property, plant and Equipment	1,833	2,362	3,051
Goodwill	6,850	6,850	6,850
Intangibles	1,634	1,730	1,900
Deferred tax assets	85	163	214
Total non-current assets	**13,650**	**14,309**	**16,857**
Total assets	**63,568**	**79,008**	**83,725**
Current liabilities			
Trade and other payables	7,372	13,998	9,663
Current tax liabilities	258	1,689	1,694
Lease liabilities	1,040	1,048	1,743
Provisions	962	1,122	1,127
Total current liabilities	**9,632**	**17,857**	**14,227**
Non-current liabilities			
Lease liabilities	589	1,231	933
Provisions	45	56	72
Total non-current liabilities	**634**	**1,287**	**1,005**
Total liabilities	**10,266**	**19,144**	**15,232**
Net assets	**53,302**	**59,864**	**68,493**

Source: Audited accounts for FY21, FY22 and FY23

We note the following in relation to ECL's financial position:

- Net assets of $68.5m as at 30 June 2023 include investments in various portfolio assets including listed equities, managed funds and property trusts of $4.8m and cash and deposits related to the investment portfolio of $17.8m as at 30 June 2023.
- The increase in net assets over the Historical Period has primarily resulted from the profit generated by CMI.

The table below sets out a summary of the financial position of CMI on a standalone basis at 30 June 2021, 30 June 2022, 30 June 2023 and 31 October 2023.

Table 7 CMI historical financial position

CMI Balance sheet ($'000)	FY21 *Mgt*	FY22 *Mgt*	FY23 *Mgt*	YTD24 *Mgt*
Current assets				
Cash and cash equivalents	202	203	201	202
Trade and other receivables	17,987	21,690	23,364	24,793
Inventories	18,631	27,270	23,316	27,980
Prepayments	112	74	171	47
Total current assets	**36,932**	**49,237**	**47,052**	**53,021**
Non-current assets				
Property, plant and Equipment	1,785	2,322	3,004	3,076
Goodwill	6,850	6,850	6,850	6,850
Intangibles	1,634	1,730	1,900	1,842
Intercompany loans	-	-	5,146	8,790
Deferred tax assets	55	206	211	218
Total non-current assets	**10,323**	**11,108**	**17,110**	**20,775**
Total assets	**47,255**	**60,345**	**64,163**	**73,797**
Current liabilities				
Trade and other payables	9,643	16,256	12,527	18,338
Lease liabilities	1,040	1,048	1,743	1,743
Provisions	962	1,122	1,145	1,251
Total current liabilities	**11,644**	**18,426**	**15,414**	**21,333**
Non-current liabilities				
Intercompany loans	7,045	3,843	-	-
Lease liabilities	589	1,231	933	933
Provisions	45	56	72	72
Total non-current liabilities	**7,679**	**5,130**	**1,005**	**1,005**
Total liabilities	**19,324**	**23,556**	**16,419**	**22,337**
Net assets	**27,932**	**36,788**	**47,744**	**51,460**

Source: Management accounts as at 30 June 2021, 2022, 2023 and 31 October 2023

Note: For CMI management account reporting purposes, trade and other payables includes accruals for customer rebates payable. However, for audited financial statement purposes the consolidated financial statements of ECL reports these customer rebates payable netted off against trade and other receivables. Hence, the trade and other receivables and trade and other payables reported above are higher than those reported in the ECL audited balance sheet in Table 6.

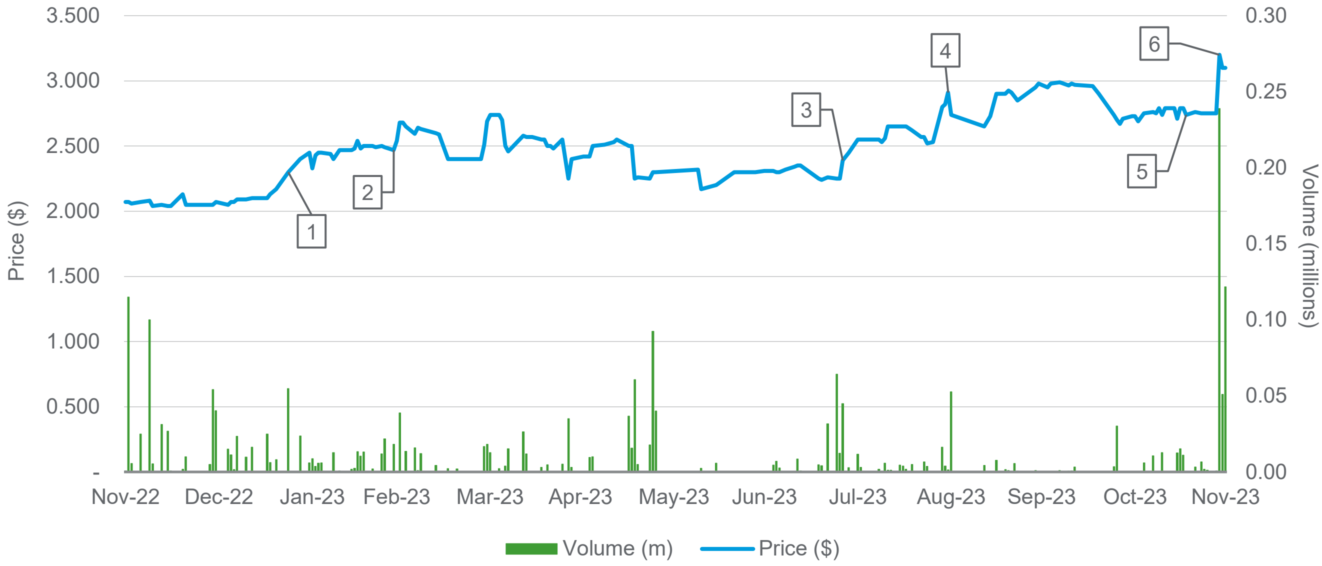
We note the following in relation to CMI's financial position:

- The increase in net assets from $27.9m as at 30 June 2021 to $51.5m as at 31 October 2023 is primarily as a result of profits generated by CMI, net of dividends paid to Shareholders, over the Historical Period.
- Lease liabilities as at 30 June 2023 relate to CMI's property leases and are recognised in accordance with AASB16 – *Leases*. Associated right-of-use assets are recognised within property, plant and equipment. The balance sheet as at 31 October 2023 has not been updated for movements in right of use assets and liabilities from 30 June 2023. We do not consider that this impacts our valuation assessment in section 5 or our opinion.
- Intangible assets comprise capitalised research and development costs in relation to product development.
- Provisions comprise of leave liabilities.
- Intercompany loans as at 31 October 2023 represented a loan to ECL of $8.8m.

3.5 ECL share price performance

The chart below sets out a summary of ECL's daily closing share price and traded volumes on the ASX from the period 30 November 2022 to 30 November 2023.

Figure 2 ECL Historical share price and traded volumes of ECL



We make the following comments with regard to ECL's recent share price performance and ASX announcements.

Table 8 ECL ASX announcements

Ref	Date	Commentary
1	25-Jan-23	ECL releases earnings update for the half year ended 31 December 2022, including a 35% increase in EBIT for the CMI business compared to the same period for the prior year.
2	27-Feb-23	ECL releases half year reports for the half year ended 31 December 2022 and declares an interim dividend of 3 cents per share.
3	26-Jul-23	ECL announces earnings update for FY23 including a net profit after tax of $10.1m. ECL announces the FY23 EBIT for the CMI business is estimated at $15.2m on a normalised basis (excluding interest or finance charges in relation to AASB16), representing a 18.75% increase on FY22.
4	30-Aug-23	ECL releases FY23 results including net profit before tax for the CMI business of $15.4m representing an increase of 20% on the prior period.
5	16-Nov-23	The 2023 Annual General Meeting for ECL shareholders is held and the Company discloses that the CMI Business generated profit before tax of $5.4m for the 4 months ended 31 October 2023.
6	28-Nov-23	Announcement of Proposed Transaction.

Over the 12-month period to 30 November 2023, ECL's closing share price increased from $2.07 to $3.10 with a high closing share price of $3.20 on 28 November 2023 (the date of the announcement of the Proposed Transaction) and a low closing share price of $2.04 on 15 December 2022.

4. Valuation approach

4.1 Basis of evaluation

The valuation of CMI has been prepared on the basis of Fair Value (Market Value) being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

4.2 Valuation methodologies

In assessing the Fair Value of CMI, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("**DCF**") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

Market based methods estimate the Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- the quoted price for listed securities; and
- industry specific methods.

The recent quoted price for listed securities method provides evidence of the Fair Value of a company's securities where they are publicly traded in an informed and liquid market.

Industry specific methods usually involve the use of industry rules of thumb to estimate the Fair Value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the Fair Value of a company than other market-based valuation methods because they may not account for company specific risks and factors.

Income based methods

Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow;
- capitalisation of future maintainable earnings.

The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("**FME**") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset based methods

Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

4.3 Selection of valuation methodologies

Valuation of CMI

We have utilised the Capitalisation of FME ("**CFME**") methodology as our primary methodology in our assessment of the Market Value of CMI by having regard to the transaction multiples implied by comparable transactions and the trading multiples of listed comparable companies.

We have utilised the quoted price for listed securities methodologies as a cross check to our primary methodology, adjusted for the estimated net asset value of ECL's investment portfolio.

5. Valuation of CMI

5.1 Valuation of CMI under the CFME Methodology

As stated in section 4.3 of this Report, we have assessed the value of CMI using the multiple of EBIT as our primary methodology.

Our assessment of the Fair Value of CMI under the CFME methodology is set out below.

Table 9 Assessed Fair Value of CMI (CFME methodology)

CMI Valuation Summary - CFME methodology	Low $'000	High $'000	Preferred $'000
FME (assessed at EBIT level)	16,000	16,600	16,300
Assessed EBIT multiple (controlling basis)	6.00x	6.50x	6.25x
Enterprise Value (100% interest)	**96,000**	**107,900**	**101,875**
Less:			
Right of use lease liabilities	(2,676)	(2,676)	(2,676)
Fair Value (100% interest)	**93,324**	**105,224**	**99,199**

Source: RSM calculations

We have assessed the Enterprise Value of CMI utilising the CFME methodology to be in the range of $96.0m to $107.9m, with a preferred mid-point value of $101.9m.

Based on the above, we have assessed the Fair Value of CMI to be in the range of $93.3m to $105.2m, with a preferred mid-point value of $99.2m.

We have considered and determined the following variables when assessing the Fair Value of CMI under the Capitalisation of FME methodology:

- future maintainable earnings;
- an appropriate capitalisation multiple, having regard to listed comparable company multiples and transactions involving comparable target companies;
- working capital requirements;
- an appropriate premium for control;
- appropriate discounts for size and specific company risk; and
- met cash and net debt adjustments in the context of the structure of the Proposed Transaction.

Assessment of Future Maintainable Earnings

We have adopted EBIT as an appropriate measure of FME because multiples based on EBIT are less sensitive to different financing structures but includes depreciation and amortisation which provides a proxy for the ongoing capital expenditure requirements of the Company. In our opinion, this approach allows a better comparison with earnings multiples of other companies.

In our assessment of future maintainable earnings at the EBIT level, we have considered the following:

- CMI has generated net revenue growth at a CAGR of 15% over the 7 years to 30 June 2023, including 11% revenue growth from FY22 to FY23.

- EBIT has grown at a CAGR of circa 18% over the 7 years to 30 June 2023, including 20% from FY22 to FY23.
- CMI generated revenue and EBIT (on a pre-AASB 16 basis) of $36.2m and $5.4m, respectively, for the 4 months ended 31 October 2023. We note that this represents annualised revenue and EBIT of $108.7m and $16.2m, respectively.
- The historical results of CMI set out in Table 5 and Table 7 are presented on a standalone basis and do not include significant one-off non-recurring items.
- The future financial performance of CMI will be significantly influenced by the level of demand in relation to the infrastructure and mining sectors. IBISWorld forecasts revenue for the Australian mining sector over the 5 years to 2028 to contract at a negative CAGR of 7.8%[1] and forecasts revenue for the Australian Infrastructure Maintenance sector over the 5 years to 2028 to increase at a CAGR of 2.5%[2].
- We have reviewed FY24 budget information provided by Management and make the following comments:
    - Management tracks the forward order book, tenders and quotations issued on a monthly basis. This information provides a level of near-term visibility in relation to the expected level of revenue to be generated by CMI.
    - CMI is currently trading in line with YTD24 budget prepared by Management prior to the FY24 year.
    - We have reviewed the actual historical trading results achieved by CMI compared to budget for recent financial years to gain comfort in relation to the historical accuracy of the budgeting process. We understand that the FY24 budgeting process was similar to prior years.

Based on the matters set out above we have selected a FME at the EBIT level in the range of $16.0m to $16.6m.

[1] Source: IBIS World Industry Report – “Mining” – November 2023
[2] Source: IBIS World Industry Report – OD5330 – Infrastructure Maintenance Services – August 2023

Assessment of Earnings Capitalisation Multiple

Listed comparable companies

We have considered the trading multiples of listed entities in our assessment of an appropriate capitalisation multiple.

In selecting an appropriate EBIT multiple to value CMI, we have considered the EBIT multiples of publicly listed comparable companies whose operations are reasonably comparable to CMI.

The table below summarises the historical and forecast EBIT multiples of publicly listed comparable companies. A brief description of each of the companies is set out in Appendix D.

Table 10 Summary of comparable listed company EBIT multiples

Company Name	Country	Market Capitalisation $'M	Enterprise Value $'M	Revenue LTM $'M	EBIT LTM $'M	EBIT NTM $'M	F/cast EBIT growth	EV/EBIT Multiple LTM	EV/EBIT Multiple NTM
Southern Cross Electrical Engineering Limited	Australia	222.3	155.1	464.7	29.1	NA	NA	5.34x	NA
IPD Group Limited	Australia	364.7	357.8	226.9	23.5	29.6	26%	15.21x	12.10x
Coventry Group Ltd	Australia	121.1	219.4	358.5	10.6	16.7	58%	20.80x	13.14x
GAON CABLE Co., Ltd.	South Korea	146.1	267.3	1,703.8	48.1	NA	NA	5.47x	NA
Taihan Cable & Solution Co., Ltd.	South Korea	1,701.6	1,870.0	3,156.9	90.2	NA	NA	20.39x	NA
Hirakawa Hewtech Corp.	Japan	194.1	112.2	316.2	27.0	28.2	5%	4.20x	3.97x
NKT A/S	Denmark	4,945.4	3,810.4	3,993.2	227.5	301.8	33%	16.55x	12.63x
Volex plc	United Kingdom	1,061.2	1,346.5	1,182.1	92.7	127.2	37%	14.33x	10.58x
SWCC Corporation	Japan	803.9	1,094.9	2,129.6	113.6	126.3	11%	9.74x	8.67x
Prysmian S.p.A.	Italy	15,953.8	19,843.4	25,994.5	1,760.0	1,991.9	13%	11.14x	9.96x
Nexans S.A.	France	5,270.3	5,675.2	13,181.3	631.5	723.9	15%	8.88x	7.84x
All									
Min		**121.1**	**112.2**	**226.9**	**10.6**	**16.7**	**5%**	**4.2x**	**4.0x**
Max		**15,953.8**	**19,843.4**	**25,994.5**	**1,760.0**	**1,991.9**	**58%**	**20.8x**	**13.1x**
Mean		**2,798.6**	**3,159.3**	**4,791.6**	**277.6**	**418.2**	**25%**	**12.0x**	**9.9x**
Median		**803.9**	**1,094.9**	**1,703.8**	**90.2**	**126.8**	**20%**	**11.1x**	**10.3x**
EV below $500m									
Min		**121.1**	**112.2**	**226.9**	**10.6**	**16.7**	**5%**	**4.2x**	**4.0x**
Max		**364.7**	**357.8**	**1,703.8**	**48.1**	**29.6**	**58%**	**20.8x**	**13.1x**
Mean		**209.7**	**222.4**	**614.0**	**27.6**	**24.8**	**30%**	**10.2x**	**9.7x**
Median		**194.1**	**219.4**	**358.5**	**27.0**	**28.2**	**26%**	**5.5x**	**12.1x**

Source: S&P Capital IQ

All dollar values are AUD

NA = Not available

In relation to the trading multiples above, we note that share prices of listed companies represent the market value of a non-controlling interest in those companies. As such, any earnings multiple derived from those share prices are consequently non-controlling multiples and do not reflect a premium for control.

We make the following comments in relation to the comparable companies considered:

- EV/EBIT LTM multiples of listed comparable companies were between 4.2x and 20.8x, with a mean and median multiple of 12.0x and 11.1x, respectively.
- EV/EBIT NTM multiples of listed comparable companies, where available, were between 4.0x and 13.1x, with a mean and a median of 9.9x and 10.3x, respectively.

- All of the comparable companies are larger than CMI in terms of Enterprise Value and revenue. The average Enterprise Value and revenue of the comparable companies was $3.2b and $4.8b, respectively. As a smaller business, CMI inherently carries greater risk as it has less diversified revenue streams, less geographic diversifications, lacks economies of scale, less efficient processes and systems, and limited access to debt and equity markets.
- We have reviewed the EV/EBIT multiples of comparable companies with an Enterprise Value under $500m to assess the multiples for smaller companies. Mean and median EV/EBIT LTM multiples for this subset of companies was 10.2x and 5.5x, respectively. The mean and median EV/EBIT NTM, where available, was 9.7x and 12.1x, respectively. We note that CMI is considerably smaller than most of the subset of comparable companies with an Enterprise Value under $500m.
- We have had regard to the forecast EBIT growth of the comparable companies, compared to the forecast growth of CMI implied by our assessed FME.
- We have had regard to the forecast risk associated with the FME EBIT range adopted within our valuation.

On the above basis, including considerations of size, growth rates, specific business risks, and the forward-looking nature of the EBIT FME selected, we have assessed the earnings capitalisation EV/EBIT multiple for CMI based on comparable listed company analysis to be in the range from 5.0x to 5.2x on a minority interest basis as set in the table below.

Table 11 Assessed Capitalisation Multiple - Discount for size and business specific risk

	Ref	Low	High
Assessed comparable listed EV/EBIT Multiple (minority basis)		9.75	9.75
Discount for size	a)	40.0%	37.5%
Discount for business specific risks	b)	15.0%	15.0%
Assessed EV/EBIT multiple (minority basis)		**5.0**	**5.2**

Source: RSM Analysis

a) The discount for size represents the discount an investor will demand for investing in a small business relative to market peers. A number of studies have been undertaken attempting to establish the existence of and measure the size discount or size premium (applied in the calculation of the cost of capital), in particular in the US. The most notable US study is the Valuation Handbook published by Kroll (formerly known as Duff & Phelps), which contains calculations of the size premium for each decile of market capitalisation of US companies.

   Several Australian studies have also been undertaken demonstrating the existence of the size premium, including the most recent study by Macquarie University as set out in their Business Valuation paper entitled The Size Premium: Australian Evidence, which found evidence supporting the existence of a size premium. The application of size premiums in Australia is however somewhat subjective and largely based on professional judgement. In assessing the discount for size, we have had regard to the size premiums implied by the above studies and the impact of these size premiums on related multiples given the inverse relationship between discount rates and earnings multiples.

b) We have applied a discount for business specific risks of 15.0% based on our professional judgement, having considered the following factors:

Diversification of revenue streams: CMI revenues are not as diversified as a number of the comparable listed entities and, therefore, there is an inherent risk as a result in relation to reliance on key industries, in particular mining and infrastructure, with IBISWorld forecasting a contraction in the mining industry over the next 5 years.

Projected profitability growth: The average forecast FY24 EBIT growth of the comparable listed companies with an Enterprise Value under $500m is 30% compared to forecast FY 24 EBIT growth for CMI of 6% implied by our assessed midpoint FME EBIT of $16.3m which has been assessed having regard to CMI's FY24 budgets or 9% year on year growth for the 4 months ended 31 October 2023. Companies with a higher forecast profitability growth profile will generally trade at a premium compared to companies with a lower forecast profitability growth profile.

Control premium

Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:

- access to potential synergies;
- control over decision making and strategic direction;
- access to underlying cash flows; and
- control over dividend policies.

In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. A control premium is the amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the premium a buyer will pay to acquire control in a business enterprise. Consequently, multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of shares).

RSM has conducted a study on 605 takeovers and schemes of arrangements involving companies listed on ASX over the 15.5 years ended 31 December 2020 ("**RSM Control Premium Study 2021**"). In determining the control premium, RSM compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, RSM used the closing share price of the acquiring company on the day prior to the date of the offer.

Table 12 Control premium study

	Number of transactions	20 days pre	5 days pre	2 days pre
Average control premium (all industries)	605	34.7%	29.2%	27.1%

Source: RSM Control Premium Study 2021

RSM's study concluded on average control premiums in takeovers and schemes of arrangements involving Australian companies was in the range of circa 27% to 35% at the equity level.

In considering an appropriate control premium, we have also taken into account that we are assessing the Fair Value of CMI at the Enterprise Value level (i.e., on a debt-free cash-free basis) which will generally result in a lower control premium (as a percentage) than is calculated at the equity level.

On the above basis, we have adopted a control premium of 20% to 25% at the Enterprise Value level and an EV/EBIT multiple of 6.00x to 6.50x, with a mid-point value of 6.25x in our valuation of CMI as set out in the table below.

Table 13 Assessed Capitalisation Multiple

CMI Capitalisation multiple (EBIT)	Low	High	Preferred
Assessed EBIT multiple basis (minority interest basis)	**5.00**	**5.20**	**5.10**
Premium for control	20.0%	25.0%	22.5%
Assessed EBIT multiple	**6.00**	**6.50**	**6.25**

Source: Capital IQ and RSM calculations

Comparable transactions

As a further cross-check of our valuation of CMI using the EV/EBIT multiples of publicly listed comparable companies, we have considered the implied multiples of recent transactions involving companies whose operations and activities are reasonably comparable to CMI.

All of these transactions involved the acquisition of a majority stake and are, therefore, reflective of an appropriate multiple inclusive of a control premium.

The table below summarises EBITDA and EBIT multiples of recent comparable transactions. A brief description of each of the transactions is set out in Appendix E.

Table 14 Summary of comparable transaction multiples

Date	Target Company	Country	Buyer	Transaction Value $M	% sought	Implied Enterprise Value $M	EBITDA LTM $'M	Implied EV/EBITDA Multiple LTM	EBIT LTM $'M	EBIT NTM $'M	Implied EV/EBIT Multiple LTM	Implied EV/EBIT Multiple NTM
1/09/2023	Murat Ticaret Kablo Sanayi Anonim Sirketi	Turkey	Volex plc	298.0	100%	298.0	53.6	5.6x	NA	NA	NA	NA
19/05/2023	Jiangnan Group Limited	Hong Kong	Pow er Heritage Group Limited	350.5	53%	572.5	108.4	5.3x	82.4	NA	6.9x	NA
26/04/2023	Reka Cables	Finland	Nexans S.A	81.9	100%	81.9	13.7	6.0x	9.0	NA	9.1x	NA
1/02/2023	Totoku Electric Co., Ltd.	Japan	The Carlyle Group Inc.	321.4	100%	321.4	40.5	7.9x	29.9	NA	10.7x	NA
16/03/2022	Time Interconnect Technology Limited	Hong Kong	Luxshare Precision Limited	350.9	75%	416.9	62.8	6.6x	49.3	NA	8.5x	NA
16/12/2020	Trivantage Pty Ltd	Australia	Southern Cross Electrical Engineering Limited	54.5	100%	54.5	NA	NA	NA	10.8	NA	3.8x
30/08/2019	Legend Corporation Limited	Australia	Adamantem Capital	100.1	100%	100.1	14.8	6.8x	11.7	NA	8.5x	NA
30/04/2019	International Wire Group Holdings, Inc.	United States	Atlas FRM LLC	446.5	100%	446.5	63.1	7.1x	41.2	NA	10.8x	NA
1/03/2019	Nubco Pty Ltd.	Australia	Coventry Group Ltd	36.2	100%	36.2	6.0	6.0x	NA	NA	NA	NA
20/07/2018	Metallurgica Bresciana S.p.A	Italy	Sterlite Technologies S.p.A.	73.7	100%	73.7	11.7	6.3x	NA	NA	10.3x	NA
Min				**36.2**	**53%**	**36.2**	**6.0**	**5.3x**	**9.0**	**10.8**	**6.9x**	**3.8x**
Max				**446.5**	**100%**	**572.5**	**108.4**	**7.9x**	**82.4**	**10.8**	**10.8x**	**3.8x**
Average				**211.4**	**93%**	**240.2**	**41.6**	**6.4x**	**37.3**	**10.8**	**9.3x**	**3.8x**
Median				**199.1**	**100%**	**199.1**	**40.5**	**6.3x**	**35.5**	**10.8**	**9.1x**	**3.8x**

Source: S&P Capital IQ, Mergermarket and company announcements

All dollar values are AUD

NA = Not available

We make the following comments in relation to the comparable transactions considered:

- The target companies were typically larger than CMI with an average implied Enterprise Value of $240.2m.
- The EV/EBIT LTM multiples ranged from 6.9x to 10.8x, with a mean and median of 9.3x and 9.1x, respectively.

- There was only one transaction where a NTM multiple was available, with an implied multiple of 3.8x. Therefore, the majority of the EV/EBIT transaction multiples available are based on LTM EBIT at the time of the transaction. For target companies with forecast EBIT growth, the NTM multiple would be lower than the LTM multiple. As demonstrated in Table 10, the NTM multiples of comparable listed companies are, on average, c. 20% lower than the LTM multiples.

Having regard to the above, and noting that NTM multiples would typically be lower for target companies with forecast EBIT growth, we consider that our adopted EV/EBIT multiple in the range of 6.00x to 6.50x to be reasonable.

Working capital

We have reviewed historical working capital levels and consider the working capital as at 31 October 2023 to be materially reflective of the on-going working capital requirement of CMI.

We note that the SSPA includes a target working capital amount of $32.66m, which is broadly consistent with CMI's working capital at 31 October 2023. Should actual working capital at Completion differs from the target working capital amount of $32.66m, then the Consideration will be adjusted upwards or downwards, accordingly, for the difference on a dollar-for-dollar basis.

Net debt/cash

We note that the Proposed Transaction is on a debt-free cash-free basis and the SSPA includes a mechanism to adjust the Consideration paid for any net cash or net debt held by CMI at Completion.

On this basis, we have not adjusted the Equity Value to reflect the net debt items as reflected in the SSPA and, for consistency, we have not adjusted our assessed Fair Value of the Consideration for the net debt items as reflected in the SSPA. We are, therefore, assessing the Fair Value of the Equity Value of CMI and the Fair Value of the Consideration on a like for like basis.

Net debt within the SSPA includes the following:

- money borrowed, raised from or owing to financial institutions;
- ECL associated amounts and obligations;
- an amount equal to 70% of the vested (pro-rata or full, as applicable) component of long-service leave relating to any Employee who has been employed by CMI for 7 years or more;
- 70% of annual leave balances in excess of 4 weeks, relating any Employee;
- dividends declared and payable;
- outstanding income tax payments and accruals for company income tax; and
- third party costs and expenses incurred by CMI associated with the Proposed Transaction, including any fees payable to external advisors of ECL (if payable by CMI).

We note that the definition of net debt within the SSPA does not include lease liabilities recognised in accordance with AASB 16 and, therefore, we have adjusted the Equity Value to reflect lease liabilities as at 31 October 2023 on the basis that our EV/EBIT multiples have been assessed on a post AASB 16 basis, wherein the lease liabilities have been treated as debt for the purpose of assessing comparable multiples and, therefore to be consistent, CMI's lease liabilities also need to be treated as debt in assessing the Equity Value.

5.2 Quoted Price of Listed Securities Methodology

As a cross check methodology to our valuation of CMI under the Capitalisation of FME methodology, we have also assessed the Fair Value of CMI based on the quoted market price of listed securities (“**QMP**”) method. We have assessed the ECL share price and adjusted for the net assets of ECL as the parent entity not related to CMI, which primarily relate to the investment portfolio held by ECL and net cash held. The balance provides an imputed value, as assessed by the market, of ECL’s ownership of CMI.

The assessment only reflects trading prior to the announcement of the Proposed Transaction in order to avoid the influence of any movement in price that may occur as a result of the announcement.

RG 111.62 indicates that in order for the quoted market share price methodology to represent a reliable indicator of Fair Value, there needs to be an active and liquid market for the securities. The following characteristics may be considered to be representative of a liquid and active market:

- regular trading in the company’s securities;
- approximately 1% of a company’s securities traded on a weekly basis;
- the bid/ask spread of a company’s shares must not be so great that a single majority trade can significantly affect the market capitalisation of the company; and
- there are no significant but unexplained movements in share price.

To provide further analysis of the quoted market prices for ECL shares, we have considered the Volume Weighted Average Price (“**VWAP**”) for the 5, 10, 30, 60, 90, 120, and 180 calendar days as at 27 November 2023, as summarised in the table below.

Table 15 VWAP of ECL shares

Calendar days	Share price Low $	Share price High $	No. of days traded	Volume traded	Value traded $	VWAP $	Percentage of issued capital %
5 days	2.75	2.75	3	3,510	9,653	2.750	0.01%
10 days	2.74	2.76	5	13,480	37,103	2.752	0.05%
30 days	2.69	2.79	19	82,790	228,231	2.757	0.29%
60 days	2.67	2.99	29	122,910	338,307	2.752	0.42%
90 days	2.65	2.99	40	198,800	548,785	2.760	0.69%
120 days	2.52	2.99	57	270,200	737,684	2.730	0.93%
180 days	2.17	2.99	75	468,060	1,191,270	2.545	1.61%

Source: Capital IQ and RSM analysis

As set out in the table above, ECL’s shares traded between $2.17 and $2.99 per share over the 180-day period assessed.

We note the following:

- during the 180 days leading up to 27 November 2023, 1.61% of the issued capital of ECL was traded, and in the 60 days leading up to 27 November 2023, 0.42% of the issued outstanding share capital of ECL was traded;
- the bid/ask spread is often used to measure efficiency. For the 180-day period, the closing bid/ask spread of ECL averaged 4.1% of the midpoint price. On the basis that, over a comparable period, all stocks trading on the ASX had an effective average bid-ask spread of 0.1975%[3], we consider the bid/ask spread of ECL to be comparatively large; and

[3] Equity market data for the quarter ended 30 September 2023 - ASIC

- notwithstanding the low levels of liquidity, ECL complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of ECL.

Implied value of CMI on a control basis

Based on the analysis of the recent trading in ECL's shares, we have assessed the value of an ECL share on a minority interest basis to be $2.75. The table below sets out the Fair Value of CMI on a control basis, as implied by the ECL share price.

Table 16 Implied value of CMI

Excelsior Capital Limited Implied Equity Value of CMI	Low	High	Preferred
ECL quoted share price ($)	2.75	2.75	2.75
Control premium	30.0%	35.0%	32.5%
ECL share price ($) (control basis)	**3.58**	**3.71**	**3.64**
ECL shares on issue ('000)	28,994	28,994	28,994
ECL market capitalisation ('$000) (control basis)	**103,655**	**107,642**	**105,649**
Less net assets attributed to ECL investment portfolio ($'000)[1]	(25,367)	(25,367)	(25,367)
Implied equity value of CMI (control basis) ($'000)	**78,288**	**82,275**	**80,281**

Source: RSM calculations

[1] *NTA of investment portfolio as at 31 October 2023 ASX announcement 13 Nov 2023*

After adjusting for the net assets attributable to the ECL investment and a control premium of 30% to 35% at the equity level (a control premium at the equity level will generally be higher than applied at the enterprise value level), we have assessed the implied equity value of CMI on a control basis to be in the range of $78.3m to $82.3m.

5.3 Valuation summary and conclusions

A summary of our assessed values of CMI on a control basis derived under the two methodologies is set out in the table below.

Table 17 CMI Valuation Summary

Excelsior Capital Limited Summary of Assessed Fair Values of CMI	Low $'000	High $'000	Preferred $'000
Assessed value of CMI - CFME methodology (primary)	**93,324**	**105,224**	**99,199**
Assessed value of CMI - QMP methodology (cross check)	78,288	82,275	80,281

Source: RSM analysis

As set out in the table above, there is a significant difference in our assessed Fair Value of CMI utilising the QMP methodology. We consider the variance may be attributable to the following factors:

- ECL shares are relatively illiquid, with 1.61% of issued capital traded in the last 180 days prior to the announcement of the Proposed Transaction. Further, the bid/ask spread is relatively large compared to the market average;

- in addition to CMI, ECL holds an investment portfolio. Whilst we have adjusted the historical share price analysis to remove the net assets associated with the investment portfolio, CMI is not a pure play industrial company. This combination of assets may not be viewed as favourably by investors as a pure play company; and

- ECL is not covered by equity analysts and may, therefore, trade at a discount to comparable companies with analyst coverage.

Notwithstanding the matters noted above, ECL complies with the continuous disclosure regime of the ASX, and the market is fully informed about the performance of ECL, including the Q1FY24 trading update provided to the market on 13 November 2023.

6. Fair Value of the Consideration

We have assessed the Fair Value of the Consideration payable by IPD for 100% of the issued equity of CMI.

Under the terms of SSPA, IPD will acquire CMI for the Consideration set out below:

- an up-front cash payment of $92.1m (subject to adjustment at completion for working capital and net cash/net debt); and
- a Contingent Payment of 6 dollars for every dollar by which CMI's FY24 EBIT result exceeds its FY23 EBIT result (defined as $15.4m), up to a maximum of $8.9m. The Contingent Payment will be settled in cash.

6.1 Assessed Fair Value of the Consideration

The table below sets out our assessment of the Fair Value of the Consideration.

Table 18: Assessed Fair Value of the Consideration

CMI Assessed Fair Value of Consideration ($'000)	Low $'000	High $'000	Preferred $'000
Up-front payment	92,100	92,100	92,100
Assessment Fair Value of Contingent Payment (rounded)	3,196	7,873	5,538
Total Fair Value of Consideration	**95,296**	**99,973**	**97,638**

Source: SSPA and RSM calculations

We have assessed the Fair Value of the of Consideration to be in the range of $95.3m to $100.0m, with a preferred value at the mid-point of $97.6m.

As noted in Section 5, our assessed Equity Value for CML has not made any adjustments for the net cash or net debt items that will result in an adjustment to the Consideration upon completion of the Proposed Transaction and, therefore, to make a like for like comparison, we have not included any similar adjustments in our assessment of the Fair Value of the Consideration.

Assessed Fair Value of the Contingent Consideration

Table 19: Assessed Fair Value of the Contingent Consideration

CMI Assessed Fair Value of the Contingent Consideration	Ref.	Low $'000	High $'000	Preferred $'000
FY23 EBIT	(a)	15,400	15,400	15,400
FY24 EBIT	(b)	16,000	16,883	16,442
Potential Contingent Consideration		3,600	8,900	6,250
Discount period	(c)	0.80	0.80	0.80
Discount rate	(d)	16.0%	16.5%	16.3%
Assessment Fair Value of Contingent Payment		**3,196**	**7,873**	**5,538**

Source: RSM calculations

In assessing the Fair Value of the Contingent Consideration, we have adopted a discounted cash flow analysis and have had regard to the following:

(a) FY23 EBIT of $15.4m as defined in the SSPA.

(b) FY24 EBIT in the range of $16.0m, representing the low end of our assessed FME range, and $16.9m, being the EBIT level implied by the maximum Contingent Consideration payment.

(c) A discount period reflecting the likely timeframe for payment of the Contingent Consideration, comprising:

- the period from 30 November 2023 to 30 June 2024; plus
- the 60-day time period allowed for the preparation of contingent payment statement under the SSPA; plus
- the 20-day time period allowed for the notice of agreement or disagreement with the contingent payment statement under the SSPA.

(d) The discount rate reflecting the weighted average cost of capital ("**WACC**") assessed in relation to CMI (refer Appendix C for our detailed assessment) of 16.0%. We have added a 0.5% premium to the assessed WACC at the top end of the range to reflect the additional risk in achieving FY24 EBIT above our assessed FME range.

7. Is the Proposed Transaction Fair to Shareholders?

In order to assess whether the Proposed Transaction is fair to Shareholders, we have compared the Fair Value of CMI, on a control basis, to the Fair Value of the Consideration to be paid.

A comparison of the Fair Value of CMI and the Fair Value of the Consideration is set out below.

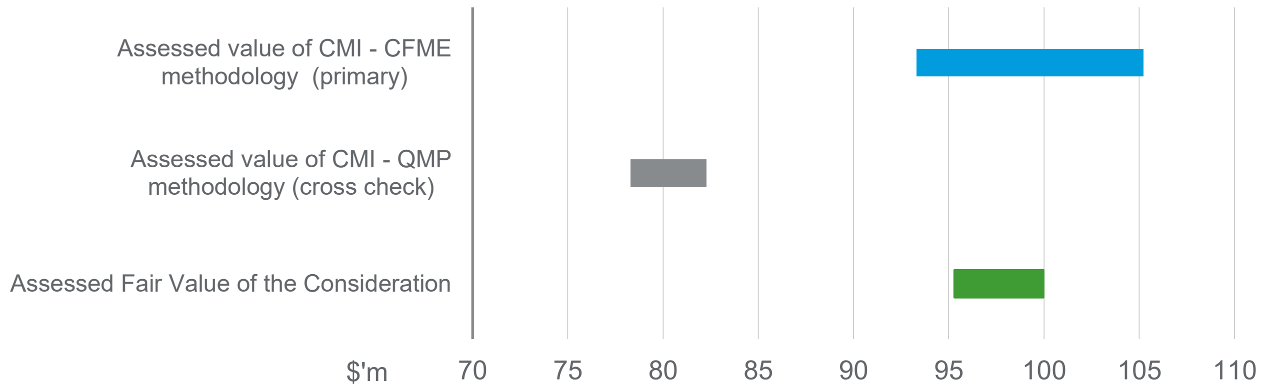
Table 20 Assessed Fair Value of CMI and the Consideration

	Low $'000	High $'000	Preferred $'000
Assessed value of CMI - CFME methodology (primary)	93,324	105,224	99,199
Assessed value of CMI - QMP methodology (cross check)	78,288	82,275	80,281
Assessed Fair Value of the Consideration	95,296	99,973	97,638

Source: RSM analysis

We have summarised the range of our assessed Fair Value of CMI and the Fair Value of the Consideration in the chart below.

Figure 2: Valuation summary graphical representation



We make the following comments in relation to the comparison of assessed Fair Value of CMI and the assessed Fair Value of the Consideration:

- The CMI Fair Value preferred value under the CFME methodology (primary methodology) is $99.2m, which is slightly above the Consideration Fair Value mid-point of $97.6m.
- Notwithstanding the above, the Fair Value of the Consideration falls within the range of our assessed Fair Value of CMI under the CMFE methodology.
- The assessed Fair Value range of the Consideration is significantly above the assessed Fair Value range under the quoted market price of listed securities methodology. At the respective mid-point values, the Fair Value of the Consideration is 21.6% higher than the Fair Value of CMI under the QMP methodology.

Having regard for the fact that our assessed Fair Value range of the Consideration sits within our assessed Fair Value range of CMI under our primary methodology, being the CFME methodology, in accordance with the guidance set out in RG111, and in the absence of any other relevant information, we consider the Proposed Transaction to be **Fair** to the Shareholders of ECL.

Our assessed Fair Value of CMI and Fair Value of the Consideration does not reflect adjustments for relevant net cash or net debt adjustments that may apply upon completion. Given we have valued both the Fair Value of CMI and the Fair Value of the Consideration on a like for like basis, we consider this to be a reasonable approach to adopt.

Whilst the actual upfront Consideration received may differ in our assessment due to the application of the net cash or net debt adjustments, we consider that any such adjustments would also result in a commensurate adjustment our assessed Fair Value of CMI such that the Proposed Transaction would remain Fair to the Shareholders of ECL

8. Is the Proposed Transaction Reasonable to Shareholders?

RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair, it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- the future prospects of ECL if the Proposed Transaction does not proceed;
- the trading of ECL Shares following the announcement of the Proposed Transaction;
- other commercial advantages and disadvantages to Shareholders as a consequence of the Proposed Transaction proceeding; and
- alternative proposals to the Proposed Transaction.

8.1 Future prospects of CMI if the Proposed Transaction does not proceed

If the Proposed Transaction is not approved, we have been advised that the objective of the ECL directors will be to continue to manage, operate and grow the CMI business as they have done historically.

8.2 Response of the Market to the Proposed Transaction

ECL's Share price closed at $2.75 on the day prior to the announcement of the Proposed Transaction (27 November 2023) and rose to a close of $3.20 on 28 November 2023, the date the Proposed Transaction was announced. Since then, ECL Shares have closed in the range of $3.05 to $3.20 and traded at an intraday high of $3.31.

The table below sets out the VWAP of ECL from 28 November 2023 to 30 November 2023.

Table 21 VWAP of ECL's Shares post the announcement of the Proposed Transaction

	Share price Low $	Share price High $	No. of days traded	Volume traded	Value traded $	VWAP $	Percentage of issued capital %
Calendar days prior to 28 November 2023							
5 days	2.750	2.750	3	3,510	9,653	2.75	0.01%
10 days	2.740	2.760	5	13,480	37,103	2.75	0.05%
30 days	2.690	2.790	19	82,790	228,231	2.76	0.29%
60 days	2.670	2.990	29	122,910	338,307	2.75	0.42%
Calendar days from 28 November 2023							
3 days	3.100	3.200	3	411,590	1,299,824	3.16	1.42%

Source: Capital IQ and RSM analysis

The VWAP of ECL's Shares for the period after the announcement to 30 November 2023 was $3.16, which was 15.0% higher than the 5- and 10-day VWAP prior to the announcement of the Proposed Transaction of $2.75 and 14.5% higher than the 30-day VWAP of $2.76.

Based on the above, we consider the market has reacted favourably to the announcement of the Proposed Transaction.

8.3 Advantages and Disadvantages

Advantages of approving the Proposed Transaction

The key advantages of the Proposed Transaction are:

Table 22 Advantages of the Proposed Transaction

Advantage	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to Shareholders.
Enable ECL to structure its investment portfolio	The Directors of ECL consider that the completion of the Proposed Transaction will enable ECL to structure its investment portfolio in a manner which aligns with the Company's broader long-term investment objectives. Proceeds from the divestment of CMI will allow ECL to strategically reallocate its capital resources to take advantage of emerging investment opportunities and focus on the Company's strategy to become a leading Australian listed investment company.
Better understanding of ECL's business strategy by market participants may result in an increased share price reflecting the underlying value of ECL's assets and increased liquidity.	ECL currently operates with two relatively diverse business segments, comprising of the electrical components operational business of CMI, together with its capital investment portfolio management business. As noted in Section 5.2 of our report, prior to the announcement of the Proposed Transaction, ECL's market capitalisation (adjusted for a control premium), was trading at a discount to the Fair Value calculated on a sum of the parts basis by adding our Assessed Fair Value of CMI to the reported value of CMI's investment portfolio and net cash. We consider that this discount may, in part, be a result of ECL having two diverse business divisions, which investors do not perceive as being aligned and, therefore, a discount has been applied. Completion of the Proposed Transaction will result in ECL focussing on being a listed investment company, which in turn may be a clearer strategy for investors to understand and value, potentially resulting in ECL's future share price being more reflective of its underlying assets and investments. This may also result in improved liquidity of the Company's shares and hence a more efficient market for Shareholders to dispose of their shares.

Disadvantages of approving the Proposed Transaction

The key disadvantage of the Proposed Transaction is:

Table 23 Disadvantages of the Proposed Transaction

Disadvantage	Details
Change in nature and scale of operations	The change in nature and scale of the operations of ECL post divestment in ECL may not fit the risk or investment profile of Shareholders.

8.4 Alternative proposals

ECL has undertaken a formal sale process to divest CMI and engaged Houlihan Lokey as corporate advisors in relation to the sale process. The Directors consider that the Proposed Transaction is the best offer received as a result of the sale process.

We are not aware of any alternative proposal at the current time which might offer Shareholders a greater benefit than the Proposed Transaction

8.5 Conclusion on Reasonableness

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for Shareholders.

An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by their individual circumstances. If in doubt, Shareholders should consult an independent advisor.

APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Andrew Clifford and Nadine Marke are directors of RSM Corporate Australia Pty Ltd. Both Andrew Clifford and Nadine Marke are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Navalo Financial Services Group Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Clifford, Nadine Marke, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately $35,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Excelsior Capital Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Memorandum.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting
- ECL audited financial statements for the 3 years ended 30 June 2023
- CMI Management accounts for the 3 years ended 30 June 2023 and the 4 months ended 31 October 2023
- CMI FY24 budget financial information
- Public announcements in relation to ECL
- SSPA
- IBISWorld
- S&P Capital IQ

C. WACC CALCULATION

The WACC represents the weighted rate of return required by providers of both debt and equity to compensate for the time value of money and the perceived risk of the associated cash flows. The discount rates required by providers of both debt and equity are weighted in proportion to the optimal proportions of debt and equity.

The WACC is calculated as follows:

WACC = [Re x E/V] + [Rd x (1 – tc) x D/V]

Where:

WACC = post tax weighted average cost of capital

Re = required rate of return on equity capital

E = market value of equity capital

V = market value of debt and equity capital (D + E)

Rd = required rate of return on debt capital

D = market value of debt capital

tc = corporate tax rate

Required rate of Return on Equity Capital (Re)

The Capital Asset Pricing Model (CAPM) can be used to estimate the cost of equity, being the required rate of return or cost of equity of a business.

The CAPM determines the cost of equity by the following formula:

Re = Rf + β(Rm – Rf) + α

The components of the formula are as follows:

Re = Required return on equity;

Rf = Risk free rate of return;

Rm = the expected return from a market portfolio;

β = Beta, a measure of the systematic risk of a stock; and

α = specific company risk premium.

Risk Free Rate (Rf)

The risk-free rate of return compensates investors for the time value of money.

The Commonwealth Government bond rate is widely used and is an accepted benchmark for the risk-free return. We have used the 10-year bond rate as this provides the best match against the timeframe of the cash flows being valued.

The 10-year Australian Government bond rate as at 30 November 2023 was 4.51% (Source: RBA and Capital IQ). We consider it reasonable to adopt a risk-free rate of 4.51% in the calculation of the WACC.

Market rate (Rm)

This represents the additional risk in holding the market portfolio of investments. The term (Rm–Rf) represents the additional return required, above the risk-free rate, to hold the market portfolio of investments. (Rm–Rf) is known as the Equity Market Risk Premium.

There are a number of studies around the Equity Market Risk Premium with, generally, most estimates falling within a range of 4% to 8%.

Using our professional judgement, we have assessed the Equity Market Risk Premium (Rm–Rf) for the Company to be 6.0%.

This is consistent with the standard premium applied by most valuation practitioners when assessing the Market Rate as at the Valuation Date.

Beta (β)

The beta coefficient measures the systematic risk of a company compared to the market as a whole. A beta of 1 indicates that the company's risk is comparable to that of the market. A beta greater than 1 represents higher than market risk and a beta below 1 represents lower than market risk.

In assessing beta, we have considered the betas for comparable companies (Column A). The equity betas are adjusted to remove the effect of company specific debt levels resulting in an ungeared beta (Column B). The ungeared betas are then "regeared" based upon an assessment of the average industry gearing ratio and the assessed optimal capital structure which is discussed in more detail below (Column C).

The table below sets out the equity beta analysis in relation to the comparable companies.

Table 24 Equity Beta analysis

Company	Country	Net debt/ Equity	Debt/Leases/EV	Notional Tax Rate	Levered Beta (A)	Unlevered Beta (B)	Relevered Beta (C)
Southern Cross Electrical Engineering Limited	Australia	0.0%	0% : 4% : 96%	31.3%	0.74	0.72	0.93
IPD Group Limited	Australia	0.0%	0% : 4% : 96%	28.8%	1.07	1.05	1.36
Coventry Group Ltd	Australia	30.6%	16% : 30% : 54%	33.8%	0.96	0.61	0.79
GAON CABLE Co., Ltd.	South Korea	144.2%	58% : 2% : 40%	35.4%	1.02	0.52	0.67
Taihan Cable & Solution Co., Ltd.	South Korea	23.3%	19% : 0% : 81%	163.7%	1.60	1.88	2.45
Hirakawa Hewtech Corp.	Japan	17.6%	15% : 0% : 85%	25.6%	1.33	1.18	1.53
NKT A/S	Denmark	0.9%	1% : 0% : 99%	26.9%	1.49	1.48	1.93
Volex plc	United Kingdom	32.2%	23% : 5% : 72%	15.6%	1.15	0.87	1.13
SWCC Corporation	Japan	42.4%	30% : 0% : 70%	21.5%	1.14	0.85	1.11
Prysmian S.p.A.	Italy	31.2%	23% : 2% : 74%	34.8%	1.12	0.92	1.19
Nexans S.A.	France	41.3%	28% : 3% : 69%	48.1%	1.46	1.18	1.53
All Comps	**Low**	**0.0%**	**n/a**	**15.6%**	**0.74**	**0.52**	**0.67**
	High	**144.2%**	**n/a**	**163.7%**	**1.60**	**1.88**	**2.45**
	Mean	**33.1%**	**19% : 5% : 76%**	**42.3%**	**1.19**	**1.02**	**1.33**
	Median	**30.6%**	**19% : 2% : 74%**	**31.3%**	**1.14**	**0.92**	**1.19**
Selected Comps	**Low**	**0.0%**	**n/a**	**15.6%**	**0.74**	**0.52**	**0.67**
	High	**144.2%**	**n/a**	**163.7%**	**1.60**	**1.88**	**2.45**
	Mean	**36.4%**	**21% : 5% : 74%**	**43.7%**	**1.20**	**1.02**	**1.33**
	Median	**30.9%**	**21% : 2% : 73%**	**32.5%**	**1.14**	**0.89**	**1.16**

Source: S&P Capital IQ

IDP Group excluded on the basis of a low number of available data points

The comparable company descriptions are included in Appendix D.

For the purposes of this valuation, we have adopted an equity beta (β) in the range of 1.15 to 1.30.

Specific company risk and size premium (α)

In considering an appropriate WACC for CMI, we have considered the specific risks of the Company, which are not experienced by the listed comparable companies and are therefore not reflected in the reported betas or implied multiples derived from publicly available market data.

CMI is significantly smaller as compared to the comparable listed companies as at the Valuation Date.

We have considered the following specific risks:

- the size of CMI and relatively smaller revenue streams compared to the majority of the listed comparable companies; and
- the lower geographical diversification of CMI compared to a number of the listed comparable companies.

On the basis of the above, using our professional judgement, we have adopted a specific company risk factor of between 9.0% and 11.0% in our assessment of the WACC for CMI.

Required rate of return on debt (Rd)

The rate of return required by providers of debt includes a risk premium over and above the risk-free rate that reflects the debt risk that is specific to the business being valued. This risk effectively represents the risk of default on payments.

In assessing an appropriate debt premium, we have considered a number of factors including:

- the cost of debt for Australian companies similar to CMI; and
- the gearing levels adopted for the purposes of calculating the WACC.

We have adopted a risk premium of 110 basis points over the risk-free rate. Based on a risk-free rate of 4.56%, this equates to a pre-tax cost of debt of 6.7%. This is broadly consistent with the indicator lending rates for large businesses as published by the RBA as at October 2023 (latest available).

Capital structure or Gearing Level (D/V)

The capital structure or gearing level adopted for the purposes of undertaking the valuation should generally reflect the level of debt that can be reasonably sustained by any company operating in a particular industry as opposed to the actual capital structure adopted by the business.

The optimal capital structure of a business is driven by two main considerations:

- the tax benefits of debt finance i.e., the deductibility of interest payments for the purposes of assessing corporate tax liabilities; and
- the financial risk to equity holders i.e., the risk of financial distress as a result of over-gearing.

In assessing the optimal capital structure of CMI, we have considered the following:

- the gearing levels of comparable companies as set out in Table 24;
- the historical and current levels of gearing for CMI; and
- the level of debt sustainable by the forecast earnings and cash flows of the Company.

For the purposes of this valuation, we have assessed the optimal capital structure to be 35% debt and 65% equity.

Corporate tax rate (tc)

We have utilised the Australian corporate tax rate of 30%.

Assessment of WACC

Based on the assumptions set out above, we have assessed the WACC for CMI as set out in the table below.

Table 25 Assessment of WACC

	Low	High	Mid-Point
Cost of Equity			
Risk free rate	4.51%	4.51%	4.51%
Beta	1.15	1.30	1.23
Risk premium	6.0%	6.0%	6.0%
Company specific risk factor	9.0%	11.0%	10.0%
R_e	**20.4%**	**23.3%**	**21.9%**
Cost of Debt			
Risk free rate (spot rate)	4.51%	4.51%	4.51%
Debt premium	1.10%	1.10%	1.10%
R_d (pre-tax)	**5.6%**	**5.6%**	**5.6%**
Corporate Tax Rate	30.0%	30.0%	30.0%
R_d (post-tax)	**3.9%**	**3.9%**	**3.9%**
Cost of Leases			
Incremental Borrowing Rate	5.61%	5.61%	5.61%
R_l (pre-tax)	**5.6%**	**5.6%**	**5.6%**
Corporate Tax Rate	30.0%	30.0%	30.0%
R_l (post-tax)	**3.9%**	**3.9%**	**3.9%**
Capital Structure			
Equity / (Equity + Debt + Leases)	65.0%	65.0%	65.0%
Debt / (Equity + Debt + Leases)	30.0%	30.0%	30.0%
Leases / (Equity + Debt + Leases)	5.0%	5.0%	5.0%
Cost of Equity			
Equity / (Equity + Debt + Leases) x Re	**13.3%**	**15.1%**	**14.2%**
Cost of Debt			
Debt / (Equity + Debt + Leases) x Rd	**1.2%**	**1.2%**	**1.2%**
Cost of Leases			
Leases / (Equity + Debt + Leases) x Rl	**0.2%**	**0.2%**	**0.2%**
WACC (Post Tax, Nominal)	**14.6%**	**16.5%**	**15.6%**
WACC (Post Tax, Nominal, Rounded)	**15.0%**	**17.0%**	**16.0%**

Source: Capital IQ and RSM calculations

D. COMPARABLE COMPANY DESCRIPTIONS

Company	Description
Southern Cross Electrical Engineering Limited	Southern Cross Electrical Engineering Limited provides electrical, instrumentation, communication, and maintenance services in Australia. It offers electrical and instrumentation (E&I) construction services, which include installation and commissioning of greenfield and brownfield upgrade projects in metropolitan, remote, and challenging environments. The company also provides fixed plant E&I construction; distribution and transmission line installation; substations, transformer, and switchyard installations; HV, LV control, instrument, and communication cabling and terminations; auditing, rectifications, and completions; constructability reviews; primary and secondary injection protection testing; instrumentation, loop checking, and calibrations; hazardous area installations; instrument air and tubing installation; procurement and logistics management; pre-commissioning, completions, and start-ups; and comprehensive handover documentation services. In addition, it offers E&I services and maintenance, such as brownfields operational support, programmed and breakdown maintenance, planned shutdown management, and sustaining capital project development services; and in-house design and construct capability, asset life cycle management, hazardous area auditing and verification, procurement, and inspection and testing services. Further, the company provides communications services, including integration and installation of communications technologies comprising communication equipment, data cabling, and fibre optics. It serves mining, and oil and gas; industrial, utilities, and energy; telecommunications and data centres; commercial developments; and public infrastructure and defence. The company was founded in 1978 and is based in Perth, Australia.
IPD Group Limited	IPD Group Limited distributes electrical equipment in Australia. The company offers power distribution, industrial and motor control, automation and industrial communication, power monitoring, and electric vehicle solutions under the ABB, Elsteel, Emerson, and Red Lion brand names. In addition, it provides installation and commissioning, calibration and testing, maintenance and repair, refurbishment, and other services. It serves switchboard manufacturers, electrical wholesalers, electrical contractors, power utilities, OEMs, and system integrators. The company was formerly known as Alstom Industrial Products Limited and changed its name to IPD Group limited in July 2006. IPD Group Limited was founded in 1889 and is headquartered in Wetherill Park, Australia.
Coventry Group Ltd	Coventry Group Ltd primarily engages in the distribution of industrial products in Australia and New Zealand. The company operates through Trade Distribution and Fluids Systems segments. The Trade Distribution segment imports, distributes, and markets industrial, stainless steel, and construction fasteners; and specialized fastener products and systems, as well as industrial hardware, and associated industrial tools and consumables. This segment also imports, distributes, and markets hardware, components, and finished products to the commercial cabinet making, joinery, and shop fitting industries; and engages in hiring and sale of temporary fencing, as well as scaffolding plank hire activities. The Fluids Systems segment designs and installs lubrication systems; distributes hoses, connectors, fittings, and hydraulic hose assemblies; designs and supplies service truck components; installs fire suppression systems; designs and distributes fluid handling systems, as well as sells pneumatic components, and hydraulic associated products and consumables; and provides rock hammers service and repair. Coventry Group Ltd was founded in 1929 and is headquartered in Thomastown, Australia.
GAON CABLE Co., Ltd.	GAON CABLE Co., Ltd., a cable company, provides industrial power cables in South Korea. The company offers power cables, including extra-high voltage cables, such as XLPE insulation cables; overhead lines comprising overhead transmission lines, optical fibre composite overhead ground wire, overhead distribution lines, and trolley wires/messenger wires; MV/LV cables consisting of MV/LV power cables, control cables, fire protection cables, and insulated wires; and industrial specialty cables, including marine/offshore cables. It also provides telecom cables, such as local area network (LAN), including LAN cables and components; optical communication products consisting of optical cables and components, and pre-connectorized cables; and other communication cables comprising hybrid cables, CATV cables, CPEV cables, and PVC-insulated telephone jumper wires. In addition, the company offers materials, such as copper rods and oxygen free copper products; intelligent wiring solutions, including aluminium clad flex cables and smart wiring systems; and integral pipeline systems comprising threadless conduits and one-touch joint for water pipes. Its products are used in power network, building/home, plant, railway, port/airport, wind farm, marine/offshore, and broadband communication applications. The company was formerly known as Kukje Electric Wire Co., Ltd. and changed its name to GAON CABLE Co., Ltd. in September 2004. GAON CABLE Co., Ltd. was founded in 1947 and is headquartered in Anyang, South Korea.
Taihan Cable & Solution Co., Ltd.	Taihan Cable & Solution Co., Ltd. designs, manufactures, and installs electric and communication cable systems worldwide. The company provides power generation and distribution cables, including extra-high voltage cables, overhead transmission lines, electric power cables, insulated wires, nuclear cables, halogen-free flame-retardant cables, fire protection cables, control cables, instrumentation/signal cables, high voltage direct current cables, and subsea cables. It also offers communication, data, coaxial, railway signalling, optical, and UL style cables, as well as accessories; base metal products, such as copper rods and magnet wires; and heating systems, trolley wires, and factory automation cables. The company was formerly known as Taihan Electric Wire Co., Ltd. The company was founded in 1955 and is headquartered in Anyang, South Korea.

Company	Description
Hirakawa Hewtech Corp.	Hirakawa Hewtech Corp. manufactures and sells cable and assemblies, electric and electronic equipment, and medical equipment and parts in Japan and internationally. The company offers semi-flexible coaxial cords and semi-rigid coaxial cords for internal wiring and connection of high-frequency equipment; high speed cables; super-fine coaxial cables for medical precision equipment; interface cables for digital signals, including industry-certified products; factory automation cables; broadcast cables and optical fibre cables; insulated wires and shield insulated wires for internal wiring of various electrical and electronic devices; power cords and power supply components; tubes; harness for internal wiring materials for multimedia-related industrial equipment and connection wires between equipment; and other products. It also provides optical converters, network equipment, optical camera modules, and AC normal charger for EV/PHEV. In addition, the company engages in the development, manufacture, and sale of special medical tubing, as well as related processed goods used in medical, analysis equipment, and other special industrial fields; design, execution, and management and contract work of electrical and telecommunications work; and leasing and management of real estate. The company was formerly known as Hirakawa Electric Wire Corporation and changed its name to Hirakawa Hewtech Corp. in October 1990. Hirakawa Hewtech Corp. was incorporated in 1948 and is headquartered in Tokyo, Japan.
NKT A/S	NKT A/S develops, manufactures, and markets cables, accessories, and solutions in Denmark and internationally. It operates through Solutions, Applications, and Service & Accessories segments. The company offers high voltage cable solutions, including high voltage onshore and offshore AC and DC, city, and dynamic cables; medium voltage and universal cables; and low voltage building wires, flexible cables and conduits, control cables, 1 kV cables, and telecom energy cables. The company also provides high voltage cable accessories, such as GIS/transformer terminations, low pressure oil-filled cable systems, outdoor terminations, wind power applications, and joints; medium voltage cable accessories, which include medium voltage cable joints, cable connectors, voltage terminations, cable branch cabinets, paper-insulated lead sheath cables, and pre-assembled connection cables. In addition, it offers onshore cable services comprising of maintenance, spare parts management, resources on call, and cable jointing and termination services, as well as repair preparedness; and offshore cable, high voltage testing, cable monitoring, and oil and gas cable competence centre services, as well as technology consulting services. The company was formerly known as NKT Holding A/S and changed its name to NKT A/S in May 2017. NKT A/S was founded in 1891 and is headquartered in Brøndby, Denmark.
Volex plc	Volex plc manufactures and supplies power products and cable assemblies in North America, Europe, and Asia. It provides integrated manufacturing services, such as PCB assembly, box build, and complex cable assemblies; electric vehicle charging solutions; cable harness and power products; copper interconnect cable and data transfer cable; and data centre power cables and power cords. It also offers plugs, connectors, and receptacles. Its products are used in complex industrial technology, consumer electronics, electric vehicle, and medical markets. The company sells its products through distributors to original equipment manufacturers and electronic manufacturing services companies. Volex plc was founded in 1892 and is headquartered in Basingstoke, the United Kingdom.
SWCC Corporation	SWCC Corporation, together with its subsidiaries, operates in the energy systems, communication systems, and device businesses in Japan and internationally. The company operates through three segments: Energy and Infrastructure Business, Electrical Equipment and Components Business, and Communication/Industrial Device Business. The Energy and Infrastructure Business segment offers power devices, domestic electric power infrastructure, electric wires and cables for construction, and seismic isolation equipment and vibration control products. The Electrical Equipment and Components Business segment provides oxygen-free copper under MiDIP brand, copper-silver alloy wires for heater and electronic components, magnet wires, bare wires, and electric wires for automobiles. The Communication/Industrial Device Business segment offers fiber-optic cables, LAN cables, wire harnesses used for the home appliances and industrial equipment, and precision devices for fitting inside copiers and printers. The company is also engaged in sales of network solutions and logistics business. The company was formerly known as SWCC Showa Holdings Co., Ltd. and changed its name to SWCC Corporation in April 2023. SWCC Corporation was incorporated in 1936 and is headquartered in Kawasaki, Japan.
Prysmian S.p.A.	Prysmian S.p.A., together with its subsidiaries, produces, distributes, and sells cables and systems, and related accessories for the energy and telecommunications industries worldwide. It operates through three segments: Projects, Energy, and Telecom. The company offers rigid and flexible cables for the distribution of power to residential, commercial, and industrial buildings; and power distribution solutions, such as medium-voltage cable systems for overhead and underground installation for connecting industrial and/or residential buildings to the primary distribution grid, as well as low-voltage cable systems for power distribution. It also provides industrial and network components for various industries, which includes mining, railway, marine, solar and wind automotive, and oil and gas sectors, as well as cranes, rolling stocks, elevators & escalators; network components, including connectors and terminals for low, medium, high, and extra-high voltage cables and submarine cable systems for industrial, construction, and infrastructure applications, as well as for power transmission and distribution grids. In addition, the company offers electronics and optical sensing solutions; and manufactures optical fibre, optical cables, and optical fibre submarine cables for the telecommunications sector. Prysmian S.p.A. was founded in 1879 and is headquartered in Milan, Italy.

Company	Description
Nexans S.A.	Nexans S.A. designs, manufactures, and sells cable systems and services in France and internationally. It operates in five segments: Building & Territories, Generation & Transmission, Telecom & Data, Industry & Solutions, and Other Activities. The company provides design, engineering, financing, asset management, and systems management solutions for offshore wind farms, subsea interconnections, and land high voltage, as well as smart solutions for oil and gas sector. It also offers cables for the energy distribution networks; and equipment cables for buildings. In addition, the company provides cabling and connectivity solutions to support OEMs and industrial infrastructure project managers in transport, automatic devices, renewable energy, resources, and other sectors. Further, it offers data transmission, telecom networks, hyperscale data centers, and LAN cabling solutions for customers to deploy copper and fiber optic infrastructures; and wire rods and electrical wires, as well as engages in winding wire production operations. The company was incorporated in 1994 and is headquartered in Courbevoie, France.

Source: Capital IQ

E. COMPARABLE TRANSACTION DESCRIPTIONS

Target Company	Description
Murat Ticaret Kablo Sanayi Anonim Sirketi	Murat Ticaret Kablo Sanayi Anonim Sirketi produces and sells electrical wiring harnesses and battery cables. The company was founded in 1969 and is based in Çayirova, Turkey. As of September 1, 2023, Murat Ticaret Kablo Sanayi Anonim Sirketi operates as a subsidiary of Volex plc.
Jiangnan Group Limited	Jiangnan Group Limited, an investment holding company, manufactures and trades in wires and cables in the People’s Republic of China. The company operates through Power Cables, Wires and Cables for Electrical Equipment, Bare Wires, and Special Cables segments. It offers power cables primarily for the use in power transmission and distribution systems; and wires and cables for use in the supply and distribution of electricity for various applications, such as industrial machinery, instruments, meters, and household appliances, as well as wires in the buildings. The company also provides bare wires, including aluminium reinforced wires, aluminium conductor steel reinforced wires, and aluminium alloy conductors that are used as overhead power lines for power transmission; and special cables and wires for the ship building, wind power generation, and mining industries, as well as rubber, fireproof, and other cables. In addition, it is involved in the trading of copper conductors, carbon assets, and wires and cables; and engineering, procurement, and construction of electric power related projects. The company’s products are used in power and general industries, including metals and mining, oil and gas, transportation, shipbuilding, and construction industries. It also exports its products to approximately 100 countries. The company was founded in 1997 and is based in Shatin, Hong Kong. As on May 19, 2023, Jiangnan Group Limited operates as a subsidiary of Power Heritage Group Limited.
Reka Cables	Reka Cables is the cable manufacturer, which provides durable, high-standard cable solutions for renewable energy production, network construction, industry as well residential and office construction.
Totoku Electric Co., Ltd.	Totoku Electric Co., Ltd. develops and sells electric wires, heater products, and cable and wire processed products in Japan. The company offers triple insulated winding wires, heat resistance wires, extra fine alloy wires, high frequency cable assemblies, suspension wires, contact probes, high mechanical strength lead wires, and flexible flat cables. It also provides information and communication cables, equipment wires, heater wires, coaxial cables, and precision coils. Totoku Electric Co., Ltd. was incorporated in 1940 and is headquartered in Tokyo, Japan. Totoku Electric Co., Ltd. operates as a subsidiary of Furukawa Electric Co., Ltd.
Time Interconnect Technology Limited	Time Interconnect Technology Limited, an investment holding company, manufactures and sells cable assembly and networking cable products in the People's Republic of China, the United States, the Netherlands, Singapore, the United Kingdom, Hong Kong, Mexico, and internationally. The company offers copper and optical fibre cable assemblies, specialty cables, and servers; and manufactures and trades in robotic products, as well as develops and trades in computer software. It serves customers in the telecommunication, data centre, industrial and medical equipment, and automotive wire harness sectors. The company was founded in 1992 and is headquartered in Sha Tin, Hong Kong. Time Interconnect Technology Limited is a subsidiary of Luxshare Precision Limited.
Trivantage Pty Ltd	Trivantage Pty Ltd engages in the manufacture of electrical switchboards. The company was incorporated in 2013 and is based in Australia. As of December 16, 2020, Trivantage Pty Ltd operates as a subsidiary of Southern Cross Electrical Engineering Limited.
Legend Corporation Limited	Legend Corporation Limited provides engineering solutions in Australia and New Zealand. The company operates through three segments: Electrical, Power and Infrastructure; Innovative Electrical Solutions; and Gas and Plumbing Supplies. The Electrical, Power and Infrastructure segment distributes various house branded electrical and connectivity products and tools, cable assemblies, and data and computer room products to the electrical wholesale, or power and infrastructure industries. The Innovative Electrical Solutions segment manufactures application designs and integrated circuits, thick film hybrids, and ceramic printed circuit boards for medical, telecommunications, lighting, automotive, and consumer electrical industries. The Gas and Plumbing Supplies segment supplies products and parts for industrial and commercial gas, heating, refrigeration and air conditioning components, appliance spares, and related value-added systems. Legend Corporation Limited was founded in 1962 and is based in Hendon, Australia. As of August 30, 2019, Legend Corporation Limited was taken private.

Target Company	Description
International Wire Group Holdings, Inc.	International Wire Group Holdings, Inc., through its subsidiaries, manufactures and markets wire products for other wire suppliers, distributors, and original equipment manufacturers in the United States, France, Italy, and Poland. The company operates in three segments: Bare Wire, Engineered Wire Products — Europe, and High-Performance Conductors. The Bare Wire segment offers bare and tin-plated copper wire products, such as single end, stranded, bunched, cabled and braided, and shielding wires, which are used to transmit digital, video, and audio signals, as well as conduct electricity in the automotive/specialty vehicles, consumer and appliance, electronics and data communications, and industrial and energy markets. The Engineered Wire Products — Europe segment provides specialty braids, ropes, connections, wire meshes, and flexible bars, as well as braided wires to conduct electricity either for power or for grounding purposes for use in the aerospace, automotive/specialty vehicles, and industrial and energy markets. The High-Performance Conductors segment manufactures specialty high performance conductors, which include tin, nickel, and silver plated copper and copper alloy conductors comprising high and low temperature conductors, as well as specialty film insulated conductors and micro diameter tubing products. It offers its products to the commercial and military aerospace and defense, electronics and data communications, industrial and energy, and medical products markets. The company sells its products through direct salespeople and manufacturers' representatives. The company was formerly known as International Wire Group Inc. and changed its name to International Wire Group Holdings, Inc. in June 2011. International Wire Group Holdings, Inc. was founded in 1995 and is headquartered in Camden, New York.
Nubco Pty Ltd.	Nubco Pty Ltd. supplies hardware tools. Its products include power tools, steel, fasteners, hardware and hand tools, welding equipment, trailers and trailer parts, tool storage solutions, machinery, and industrial products. The company was founded in 1983 and is based in Devonport, Australia. As of March 1, 2019, Nubco Pty Ltd. operates as a subsidiary of Coventry Group Ltd.
Metallurgica Bresciana S.p.A	Metallurgica Bresciana S.p.A designs, manufactures, and markets precision optical and specialized copper cables in Italy. The company was founded in 1987 and is based in Dello, Italy. Metallurgica Bresciana S.p.A operates as a subsidiary of Compagnia Bresciana Investimenti Spa. As of July 20, 2018, Metallurgica Bresciana S.p.A operates as a subsidiary of Sterlite Technologies S.p.A..

Source: Capital IQ

F. INDUSTRY OVERVIEW

Electric Cable and Wire Manufacturing[4]

CMI is a provider of electrical cables across a broad range of markets, as well as being providers of couplers and receptacle products for the mining sector and operates in the Electric Cable and Wire Manufacturing sector in Australia ("**the Industry**").

The Industry in Australia includes companies that primarily manufacture electric cables, wires or strips. This includes braided or insulated non-ferrous wire, cable or strip. The industry also includes enterprises that manufacture optical fibre cables.

Electric cable and wire manufacturers have struggled with high import penetration and weak downstream demand over the past five years. Revenue is expected to decrease at an annualised 0.1% over the five years through 2023-24, to total $2.0 billion. This trend includes an anticipated revenue decline of 3.4% in 2023-24, due to falling demand from the building construction and export markets. Profit margins have also declined over the past five years, due to fierce price competition from imports and upward pressure on material inputs like copper, plastic and rubber. The depreciation of the Australian dollar over much of the period has also made imported components more expensive in the domestic market, increasing purchase costs.

The poor performance of wired telecommunications operators over the past five years has significantly affected electric wire and cable manufacturers. Increased popularity of smartphones and tablets has prompted consumers to shift from fixed-line service provision to mobile technologies. Consequently, fixed-line investment has been reduced across the communications sector, negatively affecting demand for electric cable and wire, and therefore revenue. However, the increased investment in fibre-optic infrastructure as part of the NBN rollout has softened this effect over the period. Nevertheless, several major apartment projects have been completed in recent years. This trend, coupled with the COVID-19 pandemic's negative effects, has driven an overall decline in demand from building construction firms over the period. A steady increase in capital expenditure by mining firms has partially offset this fall in demand.

Electric cable and wire manufacturing revenue is forecast to rise, due to a recovery in demand from building construction. continued declines in demand from wired telecommunications network operators. Strong import penetration that will place downward pressure on the price of locally manufactured products will likely limit industry performance over the period. However, manufacturers are likely to continue investing in more efficient technology to develop new products, limiting the decline in revenue over the period. Overall, industry revenue is projected to increase at an average annual rate of 0.6% through the end of 2028-29, to $2.1 billion.

The Electric Cable and Wire Manufacturing industry in Australia is highly competitive, as they face strong competition from importers. The key performance drivers for industry businesses are as follows:

- demand from wired telecommunications network operation;
- world price of copper;
- demand from building construction; and
- trade weighted index.

Demand from wired telecommunications network operation

Wired telecommunications network operators account for a major source of demand for communication cables, which are used extensively in telecommunications networks and in upgrading telecommunications infrastructure. Rising demand from wired telecommunications network operators provides electric cable and wire manufacturers

[4] Source: IBISWorld Report C2431 – Electric Cable and Wire Manufacturing in Australia, October 2023

with an opportunity to expand. Demand from wired telecommunications network operators is expected to climb 1.5% in 2023-24.

World price of copper

Copper is one of the main inputs in electric cable and wire production. Therefore, fluctuations in the copper price significantly affects revenue performance. Copper substitutes are limited due to its strong electrical conductivity and low price relative to other conductive materials. Manufacturers typically pass input price rises on to consumers, which means higher copper prices can inflate revenue. The world price of copper is expected to fall 3.0% in 2023-24.

Demand from building construction

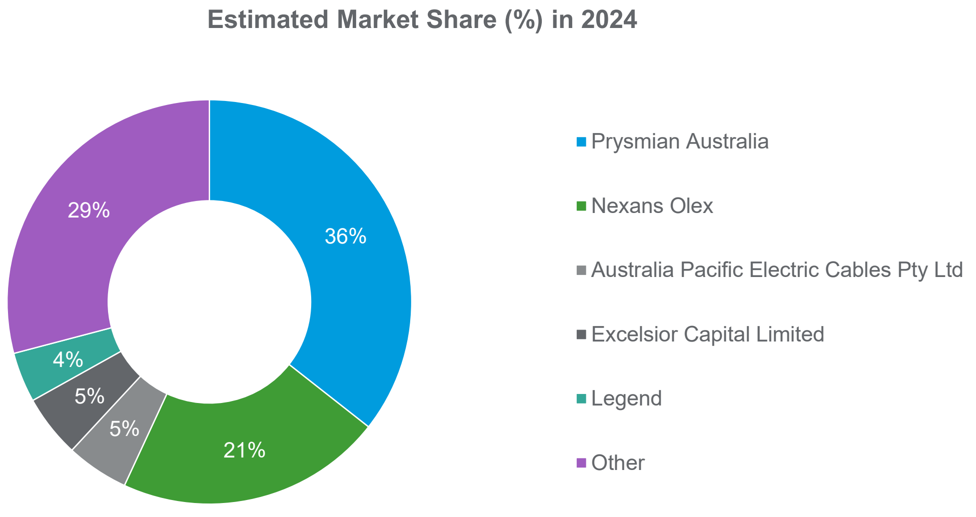
Building construction firms install cables in new buildings and maintain and replace cables in existing buildings. Building construction activity is affected by business investment in commercial property ventures, consumer investment in new residential homes, government investment in institutional building construction and maintenance for existing properties. Demand from building construction is expected to drop 2.8% in 2023-24, threatening revenue performance.

Trade weighted index

The trade-weighted index represents the value of the Australian dollar compared with the currencies of Australia's major trading partners. The value of the Australian dollar affects the price competitiveness of domestically manufactured products internationally. Although a weaker Australian dollar improves the price competitiveness of locally manufactured products in export markets, it can also increase the cost of imported inputs. The trade-weighted index is expected to increase 4.2% in 2023-24.

Key companies

The chart below summarises the market share of major competitors in the Electric Cable and Wire Manufacturing industry in Australia.



As set out above, key players include Prysmian Australia, Nexans Olex, Australia Pacific Electric Cables Pty Ltd, as well as ECL.

IBISWorld has forecast industry revenue to increase at an annualised rate of 0.6% per annum over the five years to 2028-29 to total $2.1 billion.

G. GLOSSARY OF TERMS AND ABBREVIATIONS

Term or Abbreviation	Definition
$	Australian dollar
Act	Corporations Act 2001 (Cth)
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
APES	Accounting Professional & Ethical Standards Board
Cables	The electrical cable supply business segment of CMI
CAGR	Compound annual growth rate
CFME	Capitalisation of future maintainable earnings
CMI	CMI Operations Pty Ltd
Company or ECL	Excelsior Capital Limited
Consideration, the	An up-front cash payment of $92.1m (subject to adjustment at completion for working capital and net cash/net debt); and A contingent payment of 6 dollars for every dollar by which CMI's FY24 EBIT result exceeds its FY23 EBIT result (defined as $15.4m), up to a maximum of $8.9m. The Contingent Payment will be settled in cash.
Contingent Payment	A contingent payment of 6 dollars for every dollar by which CMI's FY24 EBIT result exceeds its FY23 EBIT result (defined as $15.4m), up to a maximum of $8.9m
Control basis	An assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
CRE	Commercial real estate
DCF	Discounted Cash Flow
Directors	Directors of the Company
EBIT	Earnings Before Interest and Tax
Enterprise Value or EV	The market value of a business on a cash free and debt free basis
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FY20xx	Financial year ended 30 June 20xx
IER	This Independent Expert Report
Industry, the	the Electric Cable and Wire Manufacturing sector in Australia
IPD	IPD Group Limited
k	Thousands
LTM	Last twelve month
m	Millions
Minto Plugs	The couplers and receptable products business segment of CMI
Minority or Non-Controlling Interest	A non-controlling ownership interest, generally less than 50.0% of a company's voting shares.
Notice	The notice of meeting to vote on the Proposed Transaction
NPAT	Net profit after tax
NTM	Next twelve month
OEM	Original equipment manufacturer
Proposed Transaction	the sale of 100% of the issued share capital of CMI to IPD.
QMP	Quoted market price of listed securities
Report	This Independent Expert's Report prepared by RSM dated 4 December 2023
Resolution	The resolution set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RSM or We or Us or Ours	RSM Corporate Australia Pty Ltd

Term or Abbreviation	Definition
S&P Capital IQ	An entity of Standard and Poors which is a third-party provider of company and other financial information
Share or ECL Share	Ordinary fully paid share in the capital of the Company
Shareholder	A holder of Shares in ECL
SSPA	The conditional share sale and purchase agreement between ECL and IPD
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
YTD24	The 4 months ended 31 October 2023

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