

Excelsior Capital Limited ABN 98 050 542 553
Level 29, Chifley Tower, 2 Chifley Square
Sydney, NSW, 2000
Telephone: (02) 9216 9043
Email: corporate@excelsiorcapital.com.au
www.cmilimited.com.au

28 November, 2023

ASX ANNOUNCEMENT

Excelsior Capital Limited (ASX: ECL)

Sale of CMI Operations Pty Ltd

The Board of Excelsior Capital ("**Company**" or "**ECL**") is pleased to announce that it has entered into a Share Sale and Purchase Agreement ("**SSPA**") with IPD Group Limited ("**IPD**", ASX: IPG) in relation to the sale by ECL of 100% of the issued capital of CMI Operations Pty Ltd ("**CMI**"), a wholly owned subsidiary of ECL ("the **Transaction**").

Highlights:

- Under the terms of the Transaction, IPD will acquire CMI for a purchase price of up to **\$101.0 million**¹ which implies a highly attractive multiple of 6.6x CMI's FY23A EBIT².
- The Board of ECL unanimously recommends that ECL shareholders vote in favour of the Transaction in the absence of a Superior Proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Transaction is in the best interests of ECL shareholders.
- Subject to those same qualifications, each ECL Director has confirmed that they intend to vote or cause to be voted, any ECL shares that they hold or control in favour of the Transaction at the EGM to be convened to approve the Transaction. (Collectively, the ECL Directors represent approximately 50.4% of ECL's issued capital).

¹ Prior to any purchase price adjustments pertaining to net debt and working capital adjustments. In addition, up to \$8.9 million of the purchase price is deferred and is subject to CMI'S FY24 results

² CMI FY23A EBIT was \$15.4 million, per ECL'S FY23 Audited accounts

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Background

CMI engineers and markets a leading portfolio of electrical cables and plug brands in Australia and International markets. CMI consists of two core divisions; Cables and Plugs (“Minto”):

- Cable division – Supplies electrical cable to major construction, infrastructure and renewables projects nation-wide.
- Plug division (“Minto”) – Minto Industrial Products is a leading producer of underground couplers and receptacle products within the mining industry, with installations across Australia, Indonesia, Mongolia, PNG, and China.

The decision to divest CMI, aligns with ECL’s portfolio optimisation strategy. Proceeds delivered by the divestment will allow ECL to strategically re-allocate its capital resources to take advantage of emerging investment opportunities, further strengthening ECL’s position as a leading Australian Listed Investment Company.

Details of the Transaction

The Transaction involves the sale of all of the issued shares in the capital of CMI to IPD Group.

The purchase price comprises upfront cash consideration of **\$92.1 million** plus deferred cash consideration of up to **\$8.9 million**. The upfront cash consideration will be paid at completion of the Transaction (expected to be at or around 31 January, 2024), subject to a net working capital and net debt adjustment calculation as at the completion date. Subject to achieving the deferred consideration performance hurdle, it is expected that the deferred component of the purchase price will be payable at or around 31 August, 2024. The exact amount of the deferred consideration will depend on CMI’s FY24 results³.

The Transaction is conditional on, amongst other things, ECL shareholders passing an ordinary resolution to approve the Transaction pursuant to ASX Listing Rule 11.1 and/or 11.2 at an Extraordinary General Meeting (**EGM**).⁴ The Company will convene the EGM, expected to be held in January 2024, for ECL shareholders to consider and vote on the Transaction.

To assist ECL shareholders, the Board has commissioned RSM Australia to prepare an Independent Expert’s Report (“**IER**”) regarding the merits of the Transaction.

Additional details regarding the Transaction, including the IER and information on ECL’s financial position before and after completion of the Transaction, will be provided to shareholders in the Notice of Meeting, expected to be sent to shareholders during December 2023.

³ Under the terms of the Transaction the Earn-out amount equals \$6 for every \$1 of FY24 EBIT CMI achieves over \$15.4 million (being CMI’s FY23 EBIT) but is capped at a maximum of \$8.9 million.

⁴ Subject to ASX confirmation as to applicable ASX Listing Rule.

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Use of Proceeds

The Company intends to use the net proceeds delivered by the Transaction to further develop and grow its primary investment portfolio business. The Company is currently considering a range of investment opportunities in both operating companies and other investments.

Board recommendation

The Board of ECL unanimously recommends that ECL shareholders vote in favour of the Transaction, in the absence of a superior proposal and subject to the Independent Expert concluding, and continuing to conclude, that the Transaction is in the best interests of ECL shareholders.

Subject to those same qualifications, each ECL Director has confirmed that they intend to vote any ECL shares that they hold or control, in favour of the Transaction. (The combined shareholding of the ECL Directors is approximately 50.4% of ECL's issued capital).

Leanne Catelan, Executive Director of ECL said: *"IPD Group management has demonstrated the ability to operate at the highest level within the Electrical Industry. The acquisition of CMI will be a valuable addition to the IPD Group and the entire IPD team."*

Danny Herceg, Chairman of ECL said: *"The Transaction is an important milestone for ECL. As a Listed Investment Company, completion of the Transaction will enable ECL to structure its investment portfolio in a manner which aligns with ECL's broader long-term investment objectives."*

Details of the Share Sale and Purchase Agreement

The Company and IPD have entered into the SSPA which sets out the terms and conditions of the Transaction. The Transaction is subject only to limited conditions for a transaction of this nature, including:

- ECL shareholder approval;
- No material adverse change (as defined in the SSPA) occurring in relation to CMI;
- Other limited customary conditions.

The Transaction is not subject to any due diligence conditions. The SSPA contains customary exclusivity provisions including "no shop", "no talk", "no due diligence", "notification" and "matching right" obligations for the benefit of IPD. ECL has also agreed to a break fee of \$1.0 million payable in certain circumstances. IPD has also agreed to a reciprocal break fee of \$1.0 million which is payable by IPD to ECL in certain limited circumstances.

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A summary of the material terms of the SSPA is attached to this announcement.

Further Information

Further details of the Transaction will be set out in an Explanatory Memorandum to be made available to the Company's shareholders in December 2023. The Explanatory Memorandum will contain more information regarding the Transaction, detailed reasons for the Board's recommendation, an Independent Expert's Report opining on whether the Transaction is in the best interests of ECL shareholders, notice of the EGM, as well as other customary information.

Timetable

Transaction announced	28 November, 2023
Notice of meeting and Explanatory Memorandum available for ECL shareholders	Mid – late December 2023
EGM (for ECL shareholders to approve the Transaction)	Mid – late January 2024
Completion (payment of upfront cash consideration)	Late January 2024
Payment of deferred consideration (subject to achieving earn-out targets)	Late August 2024

Shareholders should note that the timetable is indicative and is subject to change.

Houlihan Lokey is acting as Financial Advisor to ECL and Nicholson Ryan Lawyers is acting as legal advisor.

ECL shareholders do not need to take any action at this time.

For further information, please contact:

Danny Herceg
Chairman
+61(02) 9216 9043

About Excelsior (ASX: ECL): Excelsior is a Listed Investment Entity, originally established in 1991, and listed on the ASX in 1993. Excelsior Capital Limited's operations comprise the design and distribution of electrical components and cables for resource and infrastructure applications through its Electrical Division and an investment portfolio.

Key Terms of Share Sale and Purchase Agreement

The key terms of the Share Sale and Purchase Agreement (**SSPA**) are as follows:

Parties:	Excelsior Capital Limited ACN 050 542 553 (ECL) and IPD Group Limited ACN 111 178 351 (IPD).
Securities being acquired	The entire issued share capital of CMI Operations Pty Ltd ACN 088 279 270 (CMI) which will be acquired by IPD (Transaction).
Transaction Consideration:	<p>Total consideration of up to maximum of \$101.0 million cash: Payable as follows:</p> <p>Paid on Completion:</p> <p>Cash payment of \$92.1 million paid on completion, subject to:</p> <ul style="list-style-type: none"> • a positive or negative adjustment if the net working capital of the business at completion varies from a nominated target; and • a positive or negative adjustment for any net debt at completion. <p>Deferred Consideration:</p> <p>Up to \$8.9 million cash on or around 31 August 2024. The amount of the deferred consideration is the difference between the EBIT of CMI Operations for FY24 compared to FY23, which was \$15.4 million, and then multiplied by 6. The maximum amount payable to ECL under the deferred consideration provisions is \$8.9 million. If the FY24 EBIT is equal to or less than the FY23 EBIT, no deferred consideration will be payable to ECL.</p>
Conditions Precedent:	<p>The Transaction is conditional on certain conditions precedent customary for a transaction of this nature including:</p> <ul style="list-style-type: none"> • ECL shareholders approving the Transaction by ordinary resolution; • no Material Adverse Change to CMI or its business between the date of the SSPA and completion of the Transaction; and • the parties obtaining certain necessary counterparty consents under certain agreements
Indicative completion date	Completion of the Transaction is expected to occur by 31 January 2024. If the conditions precedent are not fulfilled or waived by 31 March 2024, the Transaction may not proceed.
Conduct of business prior to completion	ECL is required to conduct the CMI business in the ordinary course pending completion. In addition, subject to some exceptions, ECL and CMI must not undertake or agree to undertake certain activities without IPD's consent
Exclusivity	<p>The SSPA contains certain exclusivity arrangements in favour of IPD, which are in line with market practice. Those arrangements include:</p> <ul style="list-style-type: none"> • No talk: ECL must not participate in any negotiations or discussions with any person in relation to, or that may lead to, a Competing Proposal; • No shop: ECL must not solicit or invite any Competing Proposal or any enquiries, proposals, discussions or negotiations in relation to, or that may lead to, a Competing Proposal; • Notification: If ECL is approached in relation to a Competing Proposal, or a proposed or potential Competing Proposal, ECL must notify IPD within two Business Days. The notice must provide details of the identity of the relevant person making or proposing the Competing Proposal and the material terms of any such Competing Proposal

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	<ul style="list-style-type: none"> • Matching right: ECL is prohibited from entering into an agreement to undertake a Competing Proposal unless ECL has given IPD at least five Business Days following receipt of notification of a Competing Proposal to provide a matching or superior proposal to the terms of the Competing Proposal. <p>A "<i>Competing Proposal</i>" is, broadly speaking, a proposal under which a third party would, if the proposal were completed, acquire "control" of the ECL Group or an interest in 50% or more of its assets (and would include a takeover bid, scheme of arrangement, capital reduction, sale of assets or sale of securities).</p> <p>ECL is not required to comply with the no talk and notification provisions in the SSPA if the ECL Board determines, after consultation with its advisers, that complying with those provisions would be likely to constitute a breach of the fiduciary or statutory duties owed by the ECL Directors.</p>
<p>Break Fees</p>	<p>By ECL</p> <p>ECL will pay a reimbursement fee to IPD of an amount no more than \$1.0 million to compensate it for actual costs incurred in negotiating and progressing the Transaction if ECL shareholders do not approve the Transaction in the following circumstances:</p> <ul style="list-style-type: none"> • Change of recommendation or recommendation of Competing Proposal: any member of the ECL Board fails to recommend or changes, withdraws or adversely modifies his recommendation of the Transaction or makes any public statement, or takes any other action that is inconsistent with his recommendation of the Transaction (including where a Competing Proposal is announced and is recommended by any ECL Director), other than as a result of the Independent Expert opining that the Transaction is not in the best interests of Transaction Shareholders or as a requirement of a Governmental Agency; • Failure to vote in favour: any member of the ECL Board fails to vote their ECL shares in favour of the Transaction; • Change of control of ECL: a Competing Proposal is announced, and within six months of the date of such announcement or the general meeting to approve the Transaction, the Competing Proposal is completed. <p>By IPD</p> <p>IPD will pay a reimbursement fee of \$1m to ECL if IPD terminates the SSPA as a result of termination of either of the following:</p> <ul style="list-style-type: none"> • the Underwriting Agreement for the institutional component of IPD's equity fundraising for the Transaction; or • the debt financing facilities arranged by IPD for the Transaction, unless total funding is nonetheless obtained to fund the transaction consideration.
<p>Warranties and Indemnities</p>	<p>ECL provides customary warranties regarding CMI and its business and affairs and indemnifies IPD for liability arising from a breach of those warranties.</p> <p>In addition, ECL indemnifies IPD for any tax liability of CMI prior to completion and provides specific indemnities for a small number of specific matters identified by IPD.</p>
<p>Non-compete</p>	<p>ECL is to provide customary non-compete and non-solicit obligations for a transaction of this nature for a period of up to 5 years.</p>

End