

Excelsior Capital Limited

ACN 050 542 553

Notice of General Meeting and Explanatory Memorandum

in relation to the proposed sale of all the issued shares in CMI Operations Pty Ltd, a wholly owned subsidiary of the Company

VOTE IN FAVOUR

The Excelsior Board unanimously recommend that you vote in favour of the Proposed Transaction in the absence of a superior proposal

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders, in the absence of a superior proposal



Houlihan Lokey

Financial Adviser



Nicholson Ryan
LAWYERS

Legal Adviser

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IMPORTANT INFORMATION

This explanatory memorandum, including the Notice of Meeting, the Independent Expert's Report and the Proxy Form (together, the **Explanatory Memorandum**) are all important documents and require your immediate attention. They should be read carefully in their entirety before you make a decision on how to vote at the Meeting.

PURPOSE OF EXPLANATORY MEMORANDUM

The Explanatory Memorandum contains an explanation of, and information about, the Resolution to be considered at the Meeting of Excelsior to be held on **25 January 2024 at 11.00am (AEDT)** at The Gallery, Park Hyatt Sydney, 7 Hickson Road, The Rocks, Sydney NSW 2000. It is given to Excelsior Shareholders to provide them with information that the Excelsior Directors believe to be material to Excelsior Shareholders in deciding whether and how to vote on the Resolution. Excelsior Shareholders should read the Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Resolution.

NO FINANCIAL PRODUCT OR INVESTMENT ADVICE

The information contained in this Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position or particular needs. You must make your own decision in this regard. The information and recommendations contained in this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice. This Explanatory Memorandum does not constitute financial or tax advice. You will need to consult with your own financial or tax adviser regarding the consequences of the Proposed Transaction in light of your particular circumstances.

It is important that you read this Explanatory Memorandum in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Resolution. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

FORWARD LOOKING STATEMENTS

The Explanatory Memorandum contains forward looking statements which have been based on current expectations about future events.

Forward looking statements can be identified by the use of forward looking words such as "may", "should", "expect", "anticipate", "estimate", "scheduled", "believe", or "continue", their negative equivalent or comparable terminology. Similarly, statements that describe Excelsior's

objectives, plans, goals or expectations are or may be forward looking statements. The statements contained in the Explanatory Memorandum about the impact that the Proposed Transaction may have on the results of Excelsior's operations and the advantages and disadvantages anticipated to result from the Proposed Transaction are also forward looking statements.

These forward looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements of Excelsior to differ materially from the expected future results, performance or achievements expressed, projected, described or implied in such forward looking statements. Such risks, uncertainties and other important factors include among other things, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes. Other unknown or unpredictable factors could also have a material adverse effect on future results of Excelsior.

None of Excelsior, nor any of its respective officers or any person named in the Explanatory Memorandum or involved in its preparation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and Excelsior Shareholders are cautioned not to place reliance on those statements. You should note that the historical performance of Excelsior is no assurance of its future financial performance.

The forward looking statements in the Explanatory Memorandum reflect views held only as at the date of the Explanatory Memorandum.

Subject to any obligations under law or the Listing Rules, Excelsior and its related entities and Directors disclaim any obligation or undertaking to disseminate, after the date of the Explanatory Memorandum, any updates or revisions to any forward looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

ROUNDING OF NUMERICAL INFORMATION

Any discrepancies between totals in tables and sums of components contained in the Explanatory Memorandum and between those figures and figures referred to in other parts of the Explanatory Memorandum are due to rounding. All rounded numbers have been rounded either to one decimal place or to the nearest whole number.

NOTICE TO PERSONS OUTSIDE AUSTRALIA

The Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Resolution which is not contained in this Explanatory Memorandum. Any information or representation not contained in the Explanatory Memorandum must not be relied on as having been authorised by Excelsior or the Excelsior Board or any Excelsior Director in connection with the Resolution.

RESPONSIBILITY FOR INFORMATION

RSM has prepared the Independent Expert's Report and has given, and has not withdrawn, as at the date of the Explanatory Memorandum, its written consent to the inclusion of the Independent Expert's Report, and the references to that report, in the form and context in which they are included in the Explanatory Memorandum. RSM takes responsibility for that report but is not responsible for any other information contained in the Explanatory Memorandum. Neither Excelsior nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report. Excelsior Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the

assessment, the sources of information and the assumptions made.

PRIVACY STATEMENT

Excelsior collects personal information about its Shareholders' holdings of Excelsior Shares in accordance with the Corporations Act. Excelsior will share that personal information with its advisers and service providers in connection with the Resolution. Excelsior Shareholders can contact the Excelsior Registry, Link Market Services Limited on 1300 554 474 if they have questions about their personal information.

DEFINITIONS

Defined terms are used in the Explanatory Memorandum. The defined terms are in the Glossary.

TIME

All references to time in the Explanatory Memorandum are references to Australian Eastern Daylight Time unless otherwise stated.

CURRENCY

All references in the Explanatory Memorandum to "\$", "A\$" and "cents" are references to Australian currency, unless otherwise specified.

ASX and ASIC

Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of the Explanatory Memorandum.

DATE

The Explanatory Memorandum is dated 21 December 2023.

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Key Dates

Proposed Transaction announced	Tuesday 28 November 2023
Explanatory Memorandum despatched to Excelsior Shareholders	Thursday 21 December 2023
Deadline for lodging Proxy Forms	Tuesday 23 January 2024 at 11.00am (AEDT)
Record Date for determining entitlement to vote at General Meeting	Tuesday 23 January 2024 at 7:00pm (AEDT)
General Meeting of Excelsior Shareholders	Thursday 25 January 2024 at 11.00am (AEDT)
Completion of Proposed Transaction	Wednesday, 31 January 2024
Payment of deferred consideration to Excelsior (subject to achieving earn-out targets)	31 August 2024

The key dates above (and the references to those dates through this document) are indicative only and are subject to any changes that may be agreed between Excelsior and IPD Group, or in consultation with the ASX. Excelsior will update Excelsior Shareholders via the ASX platform and Excelsior's website as appropriate when the relevant events are reached or changed, or decisions made.

Letter from the Chairman of Excelsior Capital Limited

Dear Excelsior Shareholder,

On behalf of the Excelsior Board, I am pleased to invite you to a General Meeting (**Meeting**) to be held at the Park Hyatt Sydney at 11.00am on 25 January 2024.

As announced to the market on 28 November 2023, the Company has entered into a Share Sale and Purchase Agreement (**SSPA**) for the sale of the Company's wholly owned subsidiary, CMI Operations Pty Ltd (**CMI Operations**) to IPD Group Ltd (**IPD Group**) for cash consideration of up to A\$101 million (the **Proposed Transaction**).

The decision to divest CMI Operations follows a strategic review aimed at maximising shareholder value. The Proposed Transaction aligns with the Company's portfolio optimisation strategy and will further strengthen its position as a leading Australian Listed Investment Company. Accordingly, the Excelsior Board **unanimously recommends Excelsior Shareholders vote in favour of the Proposed Transaction**, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude the Proposed Transaction to be in the best interests of Excelsior Shareholders.

Subject to those same qualifications, **each Excelsior Director intends to vote in favour of the Proposed Transaction**, for all Excelsior Shares held or controlled by them.

In reaching their recommendation, the Excelsior Board, together with Excelsior's advisers conducted a comprehensive evaluation of the proposal from IPD Group as well as the alternative options available to Excelsior, including maintaining the status quo, pursuing other potential transactions and considering previous indicative proposals by a number of interested parties. The Excelsior Board believes that the Proposed Transaction represents the most attractive and certain option for Excelsior to realise value for the CMI Business.

The Excelsior Board has formed this view for the following reasons:

- ✓ The Proposed Transaction represents an attractive valuation;
- ✓ The Proposed Transaction is an all-cash transaction;
- ✓ The Independent Expert has opined that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders;
- ✓ If the Proposed Transaction does not proceed, the CMI business will continue to experience the challenges of further growing the business and the uncertainties arising from the current economic environment; and
- ✓ no superior proposal has emerged as at the date of this letter. Additionally, as at the date of this letter, the Excelsior Board is not aware of any superior proposal that is likely to emerge.

The Explanatory Memorandum sets out important information regarding the Meeting, including the further detail behind the reasons for the Excelsior Board's unanimous recommendation that you vote in favour of the Proposed Transaction, in the absence of a superior proposal. It also sets out the reasons why you may wish to vote against the Resolution.

You should carefully read this document as it provides important information on the Proposed Transaction, the Meeting and the Resolution that you, as a valued Shareholder, are being asked to vote on.

Please contact ECL's Chief Financial Officer on +61 2 9216 9043 if you have any questions about the Meeting or the Notice. Hard copies of the Notice, Explanatory Memorandum and/or the Independent Expert Report can be requested from the Excelsior Registry (Link Market Services) at no cost by contacting them on 1300 554 474. If you have any questions about your Proxy Form, please contact the Registry on 1300 554 474.

If you are in any doubt about what you should do, you should consult your financial, legal, tax and other professional advisers.

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On behalf of the Excelsior Board, I would like to take this opportunity to thank you for your continued support of Excelsior and I look forward to your participation at the Meeting.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Herceg', with a stylized flourish at the end.

Danny Herceg
Chairman
Excelsior Capital Limited

+61(02) 9216 9043

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1. Notice of Meeting

Excelsior Capital Limited ACN 050 542 553

Notice of meeting

Notice is given that, a meeting of shareholders of Excelsior Capital Limited (**Excelsior** or **Company**) will be held at the time and location, and to conduct the business specified below (**Meeting**):

Date: Thursday, 25 January 2024

Time: 11.00am (AEDT)

Location: The Gallery, Park Hyatt Sydney
7 Hickson Road, The Rocks,
Sydney NSW 2000

Purpose of Meeting

Excelsior Shareholders are asked to consider and if thought fit, pass the Resolution set out below in relation to the Proposed Transaction, being the proposed sale by the Company of all of the issued shares in the capital of its wholly owned subsidiary, CMI Operations Pty Ltd, to IPD Group Limited.

Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. ASX has determined that the Proposed Transaction is a disposal of the Company's main undertaking for these purposes.

Details of the Proposed Transaction, the subject of the Resolution, is contained in the Explanatory Memorandum, of which this Notice of Meeting forms part. Additional information about the Meeting is set out in the explanatory notes that accompany and form part of this Notice of Meeting.

Capitalised terms used but not defined in this Notice of Meeting have the defined meanings set out in the Glossary contained in section 8 of the Explanatory Memorandum, unless the context otherwise requires.

Business of Meeting

The purpose of the Meeting is to consider and, if thought fit, to pass the following resolution as an ordinary resolution (**Resolution**):

"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."

By order of the Board



Ryan Mount
Company Secretary
Excelsior Capital Limited

Dated: 21 December 2023

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Explanatory Notes for the Meeting

This Notice of Meeting and the Resolution should be read in conjunction with the Explanatory Memorandum of which this Notice of Meeting forms part (**Explanatory Memorandum**).

A Proxy Form also accompanies this Notice of Meeting.

Voting Exclusion Statement

In accordance with Listing Rules 11.2 and 14.11, the Company will disregard any votes cast in favour of the Resolution by or on behalf of IPD Group Limited and any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being an Excelsior Shareholder) and any associate of that person or those persons.

However, the Company need not disregard a vote in favour of the Resolution if:

- (a) it is cast by a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote on the Resolution, in accordance with a direction on the voting form to vote as the Chair of the Meeting decides; or
- (c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary, provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

How to vote

If you are an Excelsior Shareholder entitled to attend and vote at the Meeting, you may vote by:

- attending the Meeting in person;
- lodging a direct vote;
- appointing a proxy to attend on your behalf;
- appointing an attorney to vote on your behalf; or
- in the case of a corporation which is an Excelsior Shareholder, by appointing an authorised corporate representative to attend on its behalf.

If you are unable to attend the Meeting, you are encouraged to lodge a direct vote or complete and return the enclosed Proxy Form which allows you to appoint a proxy to vote on your behalf.

You may also lodge your vote or appoint a proxy online. The completed Proxy Form must be received by Link Market Services no later than 11.00am (AEDT) on 23 January 2024.

Voting entitlement

Only Excelsior Shareholders registered on the Record Date, being 7:00pm on 23 January 2024, are entitled to attend and vote at the Meeting.

Excelsior is not aware of IPD Group Limited or any of its associates holding Excelsior Shares. If such a person or entity does hold Excelsior Shares, they would not be entitled to vote (and any votes cast would be disregarded) at the Meeting.

Voting in person

To vote in person at the Meeting, you must attend the Meeting to be held at The Gallery, Park Hyatt Sydney, 7 Hickson Road, The Rocks, Sydney NSW 2000 on 25 January 2024. The meeting will commence at 11.00am.

An Excelsior Shareholder who wishes to attend and vote at the Meeting in person will be admitted to the Meeting and given a voting card on disclosure at the point of entry to the Meeting of their name and address.

Direct Voting

Where an Excelsior Shareholder is entitled to vote, and cannot attend personally and does not wish to appoint a proxy, the Shareholder may vote directly on the Resolution to be considered at the Meeting by lodging their vote(s) to the Company's share registry, Link Market Services Limited, by 11.00am (AEDT) on 23 January 2024.

The direct voting form may be mailed / delivered to the Company's share registry, Link Market Services Limited at:

Street Address: Parramatta Square, Level 22, Tower 6, 10 Darcy Street, Parramatta NSW 2150

Postal Address: Locked Bag A14, SYDNEY SOUTH, NSW 1235

Faxed to Link Market Services Limited on Fax: +61 (02) 9287 0309

Online Direct Voting – Direct votes can be lodged online at <https://investorcentre.linkgroup.com> by following the steps below:

- Step 1** – Click on the 'View single holding' section (unless you have set up a 'Portfolio', in which case proceed to access online voting through that login process);;
- Step 2** – At 'Issuer Name' enter 'ECL' or 'Excelsior Capital';
- Step 3** – Enter your HIN or SRN;
- Step 4** – Enter the postcode (or Country Code if outside Australia) relevant to each shareholding;
- Step 5** – Tick the 'I'm not a robot' box;
- Step 6** – Read and agree to the terms and conditions by selecting the tick box;
- Step 7** – Select 'Voting' from the top menu bar; and
- Step 8** – Select 'Vote' under the heading "Action" and follow the prompts to lodge your direct vote.

You will be taken to have signed your direct vote form if you lodge it in accordance with the instructions given on the website.

Voting by attorney

An Excelsior Shareholder entitled to attend and vote at the Meeting may appoint an attorney to vote at the Meeting. An original or certified copy of the power of attorney must be received at any of the addresses, or via facsimile, as set out below at least 48 hours before the commencement of the Meeting.

By facsimile: +61 2 92870309

By mail: Excelsior Capital Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia

By delivery: Link Market Services Limited, Parramatta Square, Level 22, Tower 6, 10 Darcy Street, Parramatta NSW 2150

Online: <https://investorcentre.linkgroup.com>

Voting by corporate representative

To vote at the Meeting (other than by proxy or by attorney), a corporation that is an Excelsior Shareholder, or has been appointed as a proxy by an Excelsior Shareholder, must appoint a person (either by name or position and whether an Excelsior Shareholder or not) to act as its representative. The appointment must comply with section 250D of the Corporations Act.

Evidence of the appointment must be brought to the Meeting together with any authority under which it is signed.

A 'Certificate of Appointment of Corporate Representative' may be obtained from the Excelsior Registry or online at www.linkmarketservices.com.au.

Proxies

An Excelsior Shareholder entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies, who need not be Excelsior Shareholders.

Each proxy should be appointed to represent a specified percentage or specified number of the Excelsior Shareholder's voting rights. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half the votes. Fractions of votes will be disregarded.

If you sign and return a Proxy Form and do not nominate a person to act as your proxy, the Chair will be appointed as your proxy by default.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote by marking either "For" "Against" or "Abstain" for that item of business. If you sign the enclosed Proxy Form and do not mark Box A or Box B, you will have appointed the Chairperson of the Meeting as your proxy.

The completed Proxy Form may be mailed / delivered to the Excelsior Registry using the enclosed envelope, to Link Market Services Limited at:

Street Address: Parramatta Square, Level 22, Tower 6, 10 Darcy Street, Parramatta NSW 2150

Postal Address: Locked Bag A14, SYDNEY SOUTH, NSW 1235

Faxed to Link Market Services Limited on Fax: +61 2 9287 0309

Online Proxy Appointment - Proxies can be lodged online at <https://investorcentre.linkgroup.com> by following the steps below:

- Step 1** – Click on the 'View single holding' section (unless you have set up a 'Portfolio', in which case proceed to access online voting through that login process);;
- Step 2** – At 'Issuer Name' enter 'ECL' or 'Excelsior Capital';
- Step 3** – Enter your HIN or SRN;
- Step 4** – Enter the postcode (or Country Code if outside Australia) relevant to each shareholding;
- Step 5** – Tick the 'I'm not a robot' box;
- Step 6** – Read and agree to the terms and conditions by selecting the tick box;
- Step 7** – Select 'Voting' from the top menu bar; and
- Step 8** – Select 'Vote' under the heading "Action" and follow the prompts to lodge your proxy.

You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website. To be valid, a proxy must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

How the Chair will vote undirected proxies

The Chair intends to vote any available undirected proxy in favour of the Resolution.

You should note that if you appoint the Chair as your proxy, or the Chair is appointed as your proxy by default, and the Proxy Form does not specify whether to vote 'For', 'Against' or 'Abstain', this will be taken as a direction to the Chair to vote in accordance with his stated voting intention, which is to vote in favour of the Resolution. Excelsior Shareholders always have the ability to appoint the Chair as their proxy and direct them to cast the votes contrary to the Chair's stated voting intention or to abstain from voting on a resolution.

If you appoint the Chair as your proxy but do not wish him or her to vote in favour of the Resolution, it is important for you to complete the voting directions in respect of the Resolution on the Proxy Form.

A Proxy Form is enclosed with this Notice of Meeting

For the appointment of a proxy to be valid, the following documents must be received at least 48 hours prior to the Meeting or any adjournment of the Meeting:

- the Proxy Form; and

- if the Proxy Form is signed by the appointor's attorney, the authority under which the Proxy Form was signed or a certified copy of the authority.

The documents must be received by Excelsior Capital at any of the addresses, or via facsimile, as specified below by no later than 11.00am (Sydney time) on 23 January 2024. Proxy Forms received after that time will not be valid for the scheduled Meeting.

Further directions for the proper completion of a Proxy Form are printed on the Proxy Form.

Voting procedure

In general, each Excelsior Shareholder present in person or by proxy, attorney or corporate representative has one vote on a show of hands and one vote for each Excelsior Share held on a poll (subject to any voting exclusion referred to earlier).

Voting at the Meeting will occur by poll.

All persons attending the Meeting are asked to arrive at least 30 minutes prior to the time the Meeting is to commence, so that either their shareholding may be checked against the Register, their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

Jointly held shares

If Excelsior Shares are jointly held, only one of the Excelsior Shareholders can vote. If more than one joint Excelsior Shareholder votes, only the vote of the Excelsior Shareholder whose name appears first on the Register will be counted.

Quorum

A quorum for a meeting of Excelsior Shareholders is three or more members present at the meeting and entitled to vote on a resolution at the meeting.

Majorities required

The Resolution is an ordinary resolution. For the Proposed Transaction to be approved by Excelsior Shareholders, the Resolution must be agreed to by more than 50% of the votes cast on the Resolution (either in person or by proxy, attorney or, in the case of corporate Excelsior Shareholders, corporate representative).

2. Overview of the Proposed Transaction

2.1 Background

On 28 November 2023, Excelsior announced that it had entered into a Share Sale and Purchase Agreement with IPD Group for the sale by Excelsior to IPD Group of all of the issued shares in the capital of CMI Operations (a wholly owned subsidiary of Excelsior) for total purchase consideration of up to A\$101 million.

The Proposed Transaction is subject to Excelsior Shareholder approval.

2.2 Overview of the Proposed Transaction

The Proposed Transaction is to be effected through the Share Sale and Purchase Agreement, and involves IPD Group acquiring 100% ownership of CMI Operations. Excelsior will retain ownership of all other parts of its business, including its portfolio investment business.

The purchase price payable to Excelsior by IPD Group under the Proposed Transaction 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 (expected to be at or around 31 January 2024), subject to a net working capital and net debt adjustment calculation which will be determined as of the date of Completion.

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 results.

If the Proposed Transaction proceeds, Excelsior will be entitled to the sale proceeds from the Proposed Transaction, which will be used as set out in Section 2.4 below.

The Share Sale and Purchase Agreement for the Proposed Transaction is summarised at Section 7.1.

2.3 Independent Expert's conclusion

Although not legally required to do so, the Excelsior Directors appointed RSM as the Independent Expert to prepare a report on the merits of the Proposed Transaction.

The Independent Expert concluded that the Proposed Transaction is **fair and reasonable and in the best interests of Excelsior Shareholders**.

The Independent Expert has noted the following:

- "The Proposed Transaction is fair to Shareholders";
- "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";
- "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 complete Independent Expert's Report is included in Section 9 of this Explanatory Memorandum. The Excelsior Directors encourage you to read the complete Independent Expert Report.

2.4 Proposed use of sale proceeds

Subject to approval and implementation of the Proposed Transaction, the Company intends to use the net proceeds delivered by the Proposed 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. Full deployment of the sale proceeds may take some time and the Excelsior Board intends to take a prudent approach to identifying and pursuing suitable investment opportunities in line with its primary investment strategy.

At this time, the Excelsior Board does not intend to return any of the net proceeds of the Proposed Transaction to Excelsior Shareholders by way of special dividend or similar.

2.5 If the Proposed Transaction does not proceed

If the Proposed Transaction does not proceed (including as a result of the Resolution not being approved by Excelsior Shareholders) Excelsior will not receive the proceeds of the Proposed Transaction to deploy in its investment portfolio business. In the absence of any alternative or competing proposal to the Proposed Transaction:

- CMI Operations will remain a wholly owned subsidiary of Excelsior and will continue as a stand-alone operating entity with existing management of the CMI Business continuing to implement its current business plan and financial and operating strategies; and
- Excelsior Shareholders will retain their current investment in Excelsior Shares and in doing so, will continue to retain the benefits of an investment in Excelsior as an ASX-listed entity, and will continue to be exposed to the risks presently associated with this investment. These risks include general risks of holding shares and risks that are specific to Excelsior's business as described in Section 6.9.

The CMI Business will also remain exposed to prevailing economic conditions. While Excelsior will continue to drive the CMI Business, it faces a number of challenges particularly against the backdrop of current economic conditions and a competitive market for its products. Particular challenges include:

- execution risk of CMI's Minto product range;
- competition from domestic and international players;
- labour uncertainty in terms of a competitive job market;
- volatility in equity and financing markets impacting the future valuation of the CMI Business.

Further, if the Proposed Transaction does not proceed, neither the advantages of the Proposed Transaction outlined in Section 3.2, nor the potential reasons to vote against the Proposed Transaction outlined in Section 3.3, will be relevant to Excelsior Shareholders.

Depending on the reasons why the Proposed Transaction does not proceed, Excelsior may also be liable to pay the Excelsior break fee, and IPD Group may be liable to pay the IPD Group break fee. Information on the Excelsior break fee and the IPD Group break fee are set out in Section 7.1.

Prior to the Meeting, transaction costs will have been incurred, or will be committed, by Excelsior in relation to the Proposed Transaction. Those transaction costs have either already been paid or will be payable by Excelsior regardless of whether or not the Proposed Transaction is implemented.

2.6 Legal and Regulatory Requirements

The Resolution seeks the approval of Excelsior Shareholders to the Proposed Transaction, for the purposes of Listing Rule 11.2.

Listing Rule 11.2

Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. ASX has advised the Company that it considers the Proposed Transaction to be a disposal of Excelsior's main undertaking for these purposes.

The Resolution seeks the required shareholder approval to the Proposed Transaction under and for the purposes of Listing Rule 11.2.

If the Resolution is passed, Excelsior will be able to proceed with the Proposed Transaction and the consequences outlined in Section 2.2 will follow.

If the Resolution is not passed, Excelsior will not be able to proceed with the Proposed Transaction and the consequences outlined in Section 2.5 will follow.

Listing Rule 11.1

Listing Rule 11.1.3 provides that where an entity proposes to make a significant change to the nature or scale of its activities, the ASX may require the entity to meet the requirements of the Listing Rules as if it were applying for admission to the official list.

Based on information presently available, the ASX has determined that Listing Rule 11.1 does not apply to the Proposed Transaction.

Voting exclusion

Some Excelsior Shareholders may not be allowed to vote on the Resolution set out in the accompanying Notice of Meeting. Please refer to the voting exclusion statement set out in the Notice of Meeting set out in Section 1 in accordance with Listing Rules 11.2 and 14.11.

2.7 Excelsior Directors' Recommendation and Voting Intentions

Having carefully considered the terms of the Proposed Transaction and the merits of the alternatives, the Excelsior Directors unanimously recommend that Excelsior Shareholders **vote in favour** of the Proposed Transaction in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable and in the best interests to the Excelsior Shareholders. Subject to those same qualifications, each of the Excelsior Directors intend to vote all the Excelsior Shares held or controlled by them in favour of the Proposed Transaction at the Meeting.

In making this recommendation, the Excelsior Directors considered the advantages and disadvantages of the Proposed Transaction, including those factors discussed in this Explanatory Memorandum. Before agreeing to enter into the Share Sale and Purchase Agreement, the Excelsior Board also considered whether there were alternatives which could produce a better outcome for Excelsior Shareholders. The Proposed Transaction and these alternatives were assessed against a number of criteria, including:

- the value delivered to the Company (and therefore Excelsior Shareholders); and
- the level of certainty regarding, and the likely timing of, any alternative being effectively executed and completed.

After considering the advantages and disadvantages of the Proposed Transaction, the Directors have unanimously concluded that, in the absence of a superior proposal, the Proposed Transaction represents the best outcome for Excelsior Shareholders of all available alternatives considered by the Excelsior Board.

The Excelsior Board recommends that all Excelsior Shareholders read and carefully consider all the material set out in this Explanatory Memorandum before deciding how they will vote at the Meeting.

3. Key Considerations Relevant To Your Vote

3.1 General

The Proposed Transaction has a number of advantages and potential disadvantages. Excelsior Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 3.2 sets out the key reasons why the Excelsior Board unanimously recommends Excelsior Shareholders vote in favour of the Proposed Transaction. There are also reasons why Excelsior Shareholders may not support the Proposed Transaction and may consider voting against the Proposed Transaction. These reasons are set out in Section 3.3. Other important considerations are set out in Sections 3.4 and 3.5.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the Proposed Transaction, which is designed to assist Excelsior Shareholders in making an informed decision in relation to the Resolution contained in the Notice of Meeting.

You should read this Explanatory Memorandum in full, including the Independent Expert's Report, before deciding how to vote at the Meeting.

While the Excelsior Directors acknowledge the reasons to vote against the Proposed Transaction, they believe the advantages of the Proposed Transaction outweigh the disadvantages.

3.2 Reasons to vote in FAVOUR of the Resolution

The Excelsior Board consider that the key reasons to vote in favour of the Proposed Transaction are as follows:

- ✓ **The Excelsior Directors unanimously recommend that you vote in favour of the Resolution at the Meeting, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable**

In reaching their recommendation, the Excelsior Directors have assessed the Proposed Transaction having regard to the reasons to vote in favour of, or against the Proposed Transaction, as set out in this Explanatory Memorandum. The Excelsior Directors believe the consideration payable under the Proposed Transaction is compelling and provides Excelsior with certainty of value at an attractive price which may not be achieved if the Proposed Transaction does not proceed.

In the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders, each Excelsior Director intends to vote, or procure the voting of, all Excelsior Shares held or controlled by them in favour of the Proposed Transaction.

- ✓ **The Proposed Transaction represents an attractive valuation**

The Excelsior Board believes that the Proposed Transaction realises the current and inherent value of CMI Operations, including its strategic importance to IPD Group. The Proposed Transaction implies an attractive valuation multiple for CMI Operations of approximately 6.6x EBIT for the 12 months to 30 June 2023.

- ✓ **The Proposed Transaction is an all-cash transaction**

Being all cash, the Proposed Transaction offers significant and certain value to Excelsior and indirectly to Excelsior Shareholders (noting that the Company does not presently intend to return any of the sale proceeds to Excelsior Shareholders).

- ✓ **The Independent Expert has opined that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders**

The Excelsior Board appointed RSM to prepare an Independent Expert Report,

including an opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders. The Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders, in the absence of a superior proposal.

- ✓ **If the Proposed Transaction does not proceed, the CMI Business will continue to experience the inherent uncertainties of extracting value from an operating business**

The Proposed Transaction will remove several risks associated with on-going exposure to the CMI Business for Excelsior Shareholders. These risks include, but are not limited to:

- execution risk of CMI's Minto product range;
- competition from domestic and international players;
- labour uncertainty in terms of a competitive job market;
- volatility in equity and financing markets impacting the future valuation of CMI Operations.

- ✓ **Since the announcement of the Proposed Transaction, no superior proposal has emerged**

3.3 Reasons you may wish to vote AGAINST the Resolution

Although the Proposed Transaction is recommended by the Excelsior Directors (in the absence of a superior proposal) and the Independent Expert has concluded that the Proposed Transaction is fair and reasonable and, therefore, fair and reasonable and in the best interests of Excelsior Shareholders (in the absence of a superior proposal), factors which may lead you to consider voting against the Proposed Transaction include the following:

- × **You may believe that the Proposed Transaction is not fair and reasonable or not in your best interests**

You may believe that the Proposed Transaction is not fair or not reasonable, or otherwise not in your best interests. This view may also be formed notwithstanding that:

- The Independent Expert has concluded, after detailed analysis and assessment of the Proposed Transaction, that the Proposed Transaction is fair and reasonable to and in the best interest of the Shareholders, in the absence of a superior proposal; and
- The Excelsior Board's unanimous recommendation of the Proposed Transaction.

- × **You may consider that there is the potential for a superior proposal to emerge**

You may consider that it is possible that a proposal (be it an alternative proposal for the CMI Business, the whole of Excelsior, or otherwise) that is more attractive than the Proposed Transaction could materialise in the future.

The Excelsior Directors believe that there is no realistic alternative proposal and, as at the date of this Explanatory Memorandum, are not aware of any alternative proposal that exists.

- × **Excelsior will cease to own the CMI Business and Excelsior Shareholders will therefore not participate in the future financial performance of the CMI Business**

Excelsior will be selling its entire business interest in, and future exposure to, the CMI Business, including the opportunity to benefit from the future financial performance of the CMI Business following Completion of the Proposed Transaction.

3.4 Other considerations relevant to your vote on the Proposed Transaction

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Proposed Transaction.

(a) The Proposed Transaction may proceed even if you vote against it

If the Resolution is approved by Excelsior Shareholders and the other conditions precedent are either satisfied or waived, the Proposed Transaction will be implemented irrespective of whether you do not vote or you vote against the Resolution at the Meeting.

If this occurs, you will no longer have any exposure to the CMI Business as part of your investment in the Company.

(b) If the Proposed Transaction does not proceed, Excelsior will not receive the proceeds from the Proposed Transaction

If the Proposed Transaction is not approved or all outstanding conditions precedent are not satisfied or (if permitted) waived, the Proposed Transaction will not proceed. In that case, Excelsior (and the CMI Business) will then continue to operate as it does currently.

If the Proposed Transaction is not implemented, the advantages of the Proposed Transaction described in Section 3.2 will not be realised.

(c) Exclusivity and the effect on likelihood of competing proposal

The SSPA provides that Excelsior is subject to certain exclusivity obligations and restrictions, including no shop, and no talk restrictions, and notification obligations. It also provides that IPD Group has a matching right in respect of competing proposals.

Excelsior must not, directly or indirectly, solicit or encourage any competing proposal or any enquiries or discussions in relation to, or which may reasonably be expected to lead to, a competing proposal.

However, if the Excelsior Board determines that complying with no talk and no due diligence restrictions would be likely to constitute a breach of the fiduciary or statutory duties owed by the Excelsior Board, it need not do so, and in those circumstances Excelsior would be permitted to respond to any competing proposal.

A competing proposal may also arise without the assistance or engagement of the Excelsior Board.

Refer to Section 7.1 for further information on these arrangements.

(d) Costs and Break Fee

Excelsior has already incurred, and will incur, significant costs in respect of the proposal to implement the Proposed Transaction. These costs include negotiation with IPD Group, retention of advisers, provision of information to IPD Group, facilitating IPD Group's access to due diligence, engagement of the Independent Expert and the preparation of this Explanatory Memorandum.

Under the SSPA, the Excelsior break fee of A\$1m may become payable by Excelsior to IPD Group, in certain circumstances. Failure by Excelsior Shareholders to approve the Proposed Transaction at the Meeting will not trigger an obligation to pay the Excelsior Break Fee unless that failure arises as a consequence of one or more directors voting their shares against the Proposed Transaction. Further details of the circumstances in which the Excelsior Break Fee may become payable to IPD Group are in Section 7.1.

Under the SSPA, the IPD Group break fee of A\$1m may become payable by IPD Group to Excelsior, in certain circumstances. Refer to Section 7.1 for a summary of when the IPD Group Break Fee may become payable.

3.5 Important Information concerning Director Recommendations

The Excelsior Board believes that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders, and they unanimously recommend that Excelsior Shareholders vote in favour of the Proposed Transaction, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders.

The Excelsior Board have formed their conclusion and made their recommendation on the Proposed Transaction based on the reasons outlined in Section 3.2.

3.6 What are your options and what should you do?

You have the following four options in relation to your Excelsior Shares. Excelsior encourages you to consider your personal risk profile, portfolio strategy, and financial circumstances and seek professional advice before making any decision in relation to your Excelsior Shares.

(a) Vote in favour of the Proposed Transaction at the Meeting

The Excelsior Board unanimously recommends that you vote in favour of the Proposed Transaction, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders. The reasons for The Excelsior Board's unanimous recommendation are set out in Section 1.2.

If you wish to support the Proposed Transaction, you can do so by voting in favour of the Resolution at the Meeting. For directions on how to vote at the Meeting, and important voting information generally, please refer to Section 3, the Notice of Meeting is contained in Section 1.

(b) Vote against the Proposed Transaction at the Meeting

If, despite the Excelsior Board's unanimous recommendation and the conclusion of the Independent Expert, you do not support the Proposed Transaction, you may vote against the Proposed Transaction Resolution at the Meeting.

(c) Sell your Excelsior Shares on ASX

The Proposed Transaction does not preclude you from selling your Excelsior Shares on market for cash, if you wish.

If you are considering selling your Excelsior Shares on ASX you should have regard to the prevailing trading prices of Excelsior Shares at that time.

If you sell your Excelsior Shares on market for cash, you:

- may incur a brokerage charge;
- may incur CGT; and
- will not be able to participate in a superior proposal, if one emerges, noting that, at the date of this Proposed Transaction Booklet, Excelsior has not received any competing proposals.

(d) Do nothing

If, despite the Excelsior Board's unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should note that if all of the conditions precedent to the Proposed Transaction are satisfied or waived (where applicable), the Proposed Transaction will still proceed.

4. Key Questions Answered

QUESTION	ANSWER	MORE INFORMATION
Overview of the Proposed Transaction and Resolution		
Why have I received this Explanatory Memorandum?	<p>This Explanatory Memorandum has been sent to you because you are an Excelsior Shareholder.</p> <p>This Explanatory Memorandum is intended to help you to decide on how to vote on the Resolution relating to the Proposed Transaction to be considered at the Meeting of Excelsior Shareholders to be held on Thursday 25 January 2024 at 11.00am (AEDT).</p> <p>You should read this Explanatory Memorandum carefully and, if necessary, consult your legal, tax, financial or other independent professional adviser before voting on the proposed Resolution.</p>	Important Notices and Section 1.
What is the Proposed Transaction?	<p>The Proposed Transaction is to be effected through the SSPA, and essentially involves IPD Group acquiring CMI Operations, a wholly owned subsidiary of Excelsior. Excelsior retaining ownership of all other parts of its business, including its portfolio investment business.</p> <p>On overview of the Proposed Transaction is contained in Section 2. The terms of the SSPA are summarised at Section 7.1.</p>	Refer to Sections 2 and 7.1
Who is IPD Group?	<p>IPD Group (ASX: IPG), is a company listed in the ASX and is a leading value added distributor and service provider to Australia's electrical industry. IPD Group has a history spanning over 65 years serving Australian customers.</p>	Refer to Section 7.2 for further information.
What will be the effect of the Proposed Transaction?	<p>Excelsior will no longer have the CMI Business, which is to be acquired by IPD Group as part of the Proposed Transaction, but will retain its portfolio investment business.</p> <p>Excelsior will remain listed on the ASX.</p>	Refer to Sections 2.4 and 6 for further information.
Will Excelsior remain listed on ASX?	<p>Yes, Excelsior will remain listed on the ASX, whether the Proposed Transaction is implemented or not. However, there will be a change in the risk profile to which Excelsior Shareholders are exposed, if the Proposed Transaction proceeds, as a result of Excelsior's business being focused on operating its portfolio investment business and no longer owning the CMI Business.</p>	Refer to Section 6.9 for further information.
What do the Directors recommend and how	<p>The Excelsior Board have carefully considered the advantages and disadvantages of the Proposed Transaction and unanimously</p>	Refer to Section 2.7 for further information.

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<p>do they intend to vote?</p>	<p>recommend that you vote in favour of the Proposed Transaction, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders.</p> <p>All Excelsior Directors intend to vote, or procure the voting, in favour of the Proposed Transaction with respect to any Excelsior Shares controlled or held by, or on behalf of, them, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders.</p>	
<p>What is the opinion of the Independent Expert?</p>	<p>The Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders, in the absence of a superior proposal.</p>	<p>Section 9 (<i>Independent Expert's Report</i>)</p>
<p>What are the benefits of the Proposed Transaction?</p>	<p>The Excelsior Directors believe the consideration payable under the Proposed Transaction is compelling and provides Excelsior with certainty of value at an attractive price which may not be achieved if the Proposed Transaction does not proceed. The Board also gave consideration to a number of factors impacting the CMI Business' near and medium term outlook, including general market conditions in the sectors in which the CMI Business operates, execution risk and growth trajectory of CMI Operations' Minto product range and capital demands for the growth of the CMI Business.</p> <p>Other benefits of the proposed Transaction are detailed at Section 3.2</p>	<p>Refer to Section 3.2 for further information.</p>
<p>What are the potential disadvantages of the Proposed Transaction?</p>	<p>While the Excelsior Directors unanimously recommend that you vote in favour of the Proposed Transaction for the reasons described in Section 3.2, Excelsior Shareholders should be aware of the potential reasons to vote against the Proposed Transaction.</p>	<p>Refer to Section 3.3 for further information</p>
<p>Are there any risks for me if the Proposed Transaction proceeds?</p>	<p>Yes. You will continue to be exposed to the risks of an investment in the Excelsior Shares. In addition, there will be additional risks associated with the change in risk profile of Excelsior as a result of no longer operating the CMI Business.</p>	<p>Refer to Section 6.9 for further information</p>
<p>What will happen if the Proposed Transaction does not proceed?</p>	<p>If the Resolution is not approved by Excelsior Shareholders, the Proposed Transaction will not be implemented, and Excelsior will continue to operate the CMI Business.</p>	<p>Refer to Section 2.5 and 6.9 for further information.</p>
<p>Under what scenarios can IPD Group or Excelsior terminate</p>	<p>The SSPA provides for various circumstances where either IPD Group or Excelsior has the right to terminate that agreement and thereby withdraw from the Proposed Transaction. These include if any of the conditions precedent are not</p>	<p>Refer to Section 6.9 for further information</p>

the Proposed Transaction?	satisfied or waived, if any Excelsior Director fails to recommend, adversely modifies, or withdraws their recommendation of the Proposed Transaction prior to the Meeting or if any party is in material default under the Share Sale and Purchase Agreement and fails to remedy the default by the earlier of 10 business days of a request to do so or Completion. Refer to Section 7 for further information.	
Voting at the Meeting		
What are Excelsior Shareholders voting on?	Excelsior Shareholders will be voting to approve the Proposed Transaction as set out in the Notice of Meeting in Section 1	
What voting majority is required to approve the Resolution?	<p>The Resolution is an ordinary resolution. For the Resolution to be passed, more than 50% of eligible votes will need to be cast at the General Meeting (online or by proxy, corporate representative or attorney) in favour of the Resolution.</p> <p>IPD Group and any other person who will obtain a material benefit as a result of the Proposed Transaction (except for a benefit solely by reason of being an Excelsior Shareholder) and their associates are excluded from voting on the Resolution</p>	Section 1 (Notice of Meeting)
Am I entitled to vote?	If you are registered as a Shareholder on the Excelsior Registry at 7.00pm (AEDT) on Tuesday 23 January 2024, then you will be entitled to attend and vote at the Meeting.	Section 1 (Notice of Meeting)
How do I vote?	<p>Shareholders may vote either by:</p> <p>attending the Meeting at the time, date and place set out above to vote in person;</p> <p>lodging a direct vote in advance of the Meeting online via https://investorcentre.linkgroup.com in the manner specified in the Notice of Meeting; or</p> <p>completing and returning the attached Proxy Form in one of the ways specified in Notice of Meeting by 11.00am (AEDT) on Tuesday 23 January 2024.</p>	Section 1 (Notice of Meeting)
How will voting at the Meeting be conducted?	Voting at the Meeting will be conducted by way of a poll.	Section 1 (Notice of Meeting)
When and where will the Meeting be held?	The Meeting is scheduled for 11.00am (AEDT) on 25 January 2024 at The Gallery, Park Hyatt Sydney 7 Hickson Road, The Rocks, Sydney NSW 2000.	Section 1 (Notice of Meeting)

	<p>The Meeting will be held in person. However, Shareholders may vote in any manner outlined above.</p> <p>Further information is set out in the Notice of Meeting.</p>	
<p>What if I cannot attend the Meeting?</p>	<p>If you are unable to attend the Meeting, you are entitled to either:</p> <ul style="list-style-type: none"> • lodge a direct vote in advance of the Meeting online via https://investorcentre.linkgroup.com; or • appoint a proxy to attend virtually on your behalf. If you choose to appoint a proxy you must complete and return the attached Proxy Form as specified by the instructions outlined on the form. 	<p>Section 1 (Notice of Meeting)</p>
<p>Where and when do I send my Proxy Form?</p>	<p>To vote by proxy, you need to complete and return the Proxy Form accompanying this Explanatory Memorandum. You must ensure that your Proxy Form (and a certified copy of the relevant authority under which it is signed) is received by the Excelsior Registry on behalf of Excelsior no later than 11.00am (AEDT) on Tuesday 23 January 2024:</p> <ul style="list-style-type: none"> • online via https://investorcentre.linkgroup.com; • by post, using the reply-paid envelope to Excelsior Capital Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235 Australia; • by facsimile to 02 9287 0309; or • by hand to Excelsior Capital Limited, c/o Link Market Services Limited, Paramatta Square, Level 22, Tower 6, 10 Darcy Street, Paramatta NSW 2150. 	<p>Section 1 (Notice of Meeting)</p>
<p>When will the results of the Meeting be known?</p>	<p>The results of the Meeting will be available shortly after the conclusion of the Meeting and will be announced to ASX once available.</p>	<p>N/A</p>
<p>What are my options?</p>	<p>Shareholders have the following choices in relation to the Resolution:</p> <ul style="list-style-type: none"> • vote in favour of the Resolution at the Meeting; • vote against the Resolution at the Meeting; • sell their Shares on ASX; or • do nothing. 	<p>Section 3.6</p>

Information about IPD Group		
Who is IPD Group?	IPD Group (ASX: IPG) , is a company listed in the ASX and is a leading value added distributor and service provider to Australia's electrical industry. IPD Group has a history spanning over 65 years serving Australian customers.	Refer to Section 7.2 for further information.
Does IPD Group own any shares in Excelsior?	No. Excelsior does not believe that IPD Group owns any Excelsior Shares.	N/A
How is IPD Group funding the Proposed Transaction	IPD Group will fund the Proposed Transaction through a combination of new debt facilities and a \$65 million equity raising comprised of a \$40 million institution placement and a \$25 million accelerated non-renounceable entitlement offer.	Section 7.3.
Further information		
Where can I get further information?	If you have any questions about the Proposed Transaction, or you would like additional copies of this Explanatory Memorandum or proxy form, please contact: Brent Hofman, CFO, on +61 (02) 9216 9043	N/A
Can I sell my Excelsior Shares now?	You can sell your Excelsior Shares on-market at any time. However, if you do so you will receive the prevailing on-market price set at the time of the sale which may not be equivalent to the value of your Shares if the Proposed Transaction is implemented. If you sell your Excelsior Shares on-market, you may also be required to pay brokerage fees.	Section 3.6

5. Profile of Excelsior Group

5.1 Introduction

Excelsior (formerly CMI Limited) is an ASX listed entity (ASX:ECL) that was incorporated in 1990. It operates through two business segments: (1) the management of an investment portfolio, and (2) Assembly and distribution of electrical cables, connectors and associated components via a wholly owned subsidiary, CMI Operations.

For FY23, Excelsior achieved total consolidated revenues of \$104.9 million, with a pre-tax profit of \$14.5 million. Net Profit After Tax was \$10.2 million.

5.2 Overview of Operations

(a) Investment Portfolio Business

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 CMI Business.

Excelsior's primary investment strategy is to achieve long term growth and capital appreciation, whilst managing risk through a portfolio approach to investing. The Excelsior Group invests in a diversified portfolio of businesses where the Excelsior Group may provide capital and strategic advice to those businesses to gain long term investment returns and capital appreciation. The capital can be allocated to funds both listed and unlisted businesses, in the form of equity, debt or a combination of the two.

(b) CMI Business

The CMI Business 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 submains, 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 Operations 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.

5.3 Excelsior Board

As at the date of this Explanatory Memorandum, the Excelsior Board comprises the following Directors:

Director	Role	Independence	Date appointed
Danny Herceg	Chairman and non-executive Director	Independent	April 2021
Leanne June Catelan	Executive Director	Not independent	August 2011
Ryan Mount	Non-executive Director	Independent	April 2022

Detailed biographies of the Excelsior Directors can be found at:

<https://www.cmilimited.com.au/Investor-Centre/?page=Directors---Management>

No Director will receive a payment or benefit of any kind, as a result of the Proposed Transaction, other than as a security holder of the Company.

5.4 Historical Financial Information

A summary of the Company's historical financial information for the financial years ending 30 June 2021, 30 June 2022 and 30 June 2023 are summarised in the Independent Expert's Report in Section 9.

The financial statements of the Company for the financial years ending 30 June 2021, 30 June 2022 and 30 June 2023, including all notes to those accounts, can be found in full:

- 2021 Excelsior Annual Report (issued to ASX on 24 September 2021)
- 2022 Excelsior Annual Report (issued to ASX on 27 September 2022)
- 2023 Excelsior Annual Financial Report (released to ASX on 27 September 2023)

These documents can also be found on the Company's website at:

<https://www.cmilimited.com.au/Investor-Centre/?page=News---Announcements>

5.5 Capital Structure

As at the date of this Explanatory Memorandum, the total securities of Excelsior on issue are as follows:

Security	Number
Excelsior Shares	28,994,469

5.6 Substantial Shareholders

The details of Excelsior's substantial shareholders as at the date of this Explanatory Memorandum are set out below.

Shareholder	Number of Excelsior Shares	Percentage %
L.J. Catelan (and associated entities)	14,883,395	51.33
P.E.J. Murray (and associated entities)	3,598,700	12.41
Total		63.74%

5.7 Interests of Excelsior Directors in Excelsior

As at date of this Explanatory Memorandum, the number of Excelsior Shares held by or on behalf of each of the Excelsior Directors is as follows:

Director's Name	Excelsior Shares held by or on behalf of the Director	
Danny Herceg	60,702	(0.2%)
Leanne June Catelan	14,883,395	(51.33%)
Ryan Mount	Nil	
Total	14,944,097	(51.53%)

Excelsior Directors who hold Excelsior Shares will be entitled to vote at the Meeting.

Each Excelsior Director intends to vote or procure the voting of their Excelsior Shares in favour of the Proposed Transaction at the Meeting in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders.

There are no agreements or arrangements made between any Excelsior Director conditional on the outcome of the Proposed Transaction and none of the Excelsior Directors has agreed to receive, or is entitled to receive, any benefit from IPD Group (or its associates) which is conditional on the Proposed Transaction, other than as a security holder of the Company.

6. Effect of the Proposed Transaction on the Company

6.1 Introduction

This Section 6.1 contains the information concerning the impact on Excelsior of the Proposed Transaction as well as additional information concerning the intentions of the Excelsior Directors.

6.2 Independent Expert Report

The Excelsior Directors appointed RSM as the Independent Expert to prepare a report on the merits of the Proposed Transaction and to opine whether the Proposed Transaction outlined in the Resolution is fair and reasonable and in the best interests of Shareholders.

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Excelsior Shareholders.

The IER also contains an assessment of the advantages and disadvantages of the Proposed Transaction, which is designed to assist Shareholders in making an informed decision in relation to the Resolution contained in the Notice of Meeting.

A full copy of the Independent Expert Report is set out in Section 9 and you are encouraged to read this report in full.

6.3 Details of changes to Excelsior's business model

The changes below will occur as a result of the implementation of the Proposed Transaction:

- In the near term, Excelsior's operations will be focussed on investments that align with its core business strategy as an investment portfolio business;
- the net proceeds delivered by the Proposed Transaction will be applied 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. Full deployment of the proceeds may take some time and the Company will take a prudent approach to identifying and pursuing suitable investment opportunities.
- Returns to investors will emanate from the capital growth of, and dividends from, Excelsior's portfolio of investee companies.

6.4 Effect on share structure

There will be no changes to any Shareholder's shareholding in Excelsior due to the Proposed Transaction

6.5 Effect on control of Excelsior

There will be no changes to the control of Excelsior due to the Proposed Transaction.

6.6 Details of changes to Excelsior Board

There will be no changes to Excelsior Board as part of, or in connection with, the Proposed Transaction.

6.7 Financial effect of Proposed Transaction

The Proposed Transaction, if it is approved by Excelsior Shareholders and proceeds to Completion, is anticipated to have the following effect (using the consolidated financial statements of the Company as at 30 June 2023):

A\$m	<i>Audited</i> Excelsior Group Pre-Transaction	<i>Audited</i> Change due to sale of CMI Operations	Cash Payment ¹ (Net of Fees)	² Post transaction Un-Audited Pro-Forma Balance Sheet
ASSETS				
Current assets				
Cash and cash equivalents	22.8	(0.2)	89.0	111.6
Trade and other receivables	20.8	(20.6)	--	0.2
Inventories	23.3	(23.3)	--	(0.0)
Total Current Assets	66.9	(44.1)	89.0	111.8
Non-current assets				
Financial assets	4.8	--	--	4.8
Plant and equipment	3.1	(3.0)	--	0.0
Goodwill	6.8	(6.8)	--	0.0
Intangible assets	1.9	(1.9)	--	0.0
Intercompany loans	--	(5.1)	--	(5.1)
Deferred tax assets	0.2	(0.2)	--	0.0
Total Non-Current Assets	16.9	(17.1)	--	(0.3)
Total Assets	83.7	(61.2)	89.0	111.5
LIABILITIES				
Current liabilities				
Trade and other payables	9.7	(9.6)	--	0.1
Current tax liabilities	1.7	--	--	1.7
Lease liabilities	1.7	(1.7)	--	--
Provisions	1.1	(1.1)	--	(0.0)
Total Current Liabilities	14.2	(12.5)	--	1.7
Non-current liabilities				
Lease liabilities	0.9	(0.9)	--	0.0
Provisions	0.1	(0.1)	--	--
Total Non-Current Liabilities	1.0	(1.0)	--	0.0
Total Liabilities	15.2	(13.5)	--	1.7
NET ASSETS	68.5	(47.7)	89.0	109.8

¹ The Cash Payment of \$92.1m includes Transaction Fees for advisors and an estimate for any potential transaction bonuses payable to key management (by Excelsior) in connection with the completion of the Proposed Transaction and does not include any prospective cash receipts on account of the earn-out amount.

² No allowance in this table has been made for any tax liability in connection with the Proposed Transaction. See section 6.8

6.8 Tax Impact

If the Proposed Transaction proceeds, it is expected that the sale of CMI Operations is likely to give rise to a tax liability. The final tax liability will likely be impacted by various factors, including the completion account adjustments, earn-out payment, and the availability of approximately \$33.3m in capital losses which may be offset against any potential capital gain. The final tax liability is expected to be between \$4.0m and \$7.0m (depending on the achievement of the earn-out payment).

6.9 Risk factors

Excelsior Shareholders are currently exposed to various risks as a result of their investment in Excelsior.

If the Proposed Transaction proceeds, there will be a change in the risk profile to which Excelsior Shareholders are exposed as a result of the disposal of the CMI Business and Excelsior's operations being focused on the portfolio investment business.

As with all investments, investors should be aware that the market price of Excelsior Shares may fall as well as rise. The potential returns of Excelsior will be dependent on risks specific to Excelsior and to general investment risks. While it is impossible to identify all risks, the attention of investors is drawn to the potential risks discussed in this Section 6.9.

Excelsior Shareholders are encouraged to read this Section in its entirety.

The risks identified in this Section 6.9 are not exhaustive, and no assurances or guarantees of future performance of, profitability of, or payment of dividends by, Excelsior are given.

(a) General Risks relation to holding of Excelsior Shares

As an ASX-listed company, Excelsior is subject to general market risks that are inherent in all securities listed on a securities exchange.

The price at which Excelsior Shares are quoted on ASX may increase or decrease due to a number of factors, many of which are outside of the Company's control and are not attributable to the underlying operations and activities specific to the Company. These factors may cause Excelsior Shares to trade at prices below the levels as at the date of this Explanatory Memorandum.

Some of the factors which may affect the price of Excelsior Shares in addition to the Company's financial position and performance include fluctuations in the domestic and international market for listed stocks, general economic conditions (including interest rates, inflation rates, exchange rates), changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which Excelsior operates, force majeure events and general operational and business risks.

(b) Specific risks associated with Directors' intentions regarding Excelsior following the Proposed Transaction (if the Proposed Transaction proceeds)

(i) Risks associated with the SSPA

Excelsior has entered into the SSPA in respect of the Proposed Transaction. As part of the SSPA, Excelsior has agreed to provide certain warranties and indemnities to IPD Group.

It is possible that payments for breach may need to be made to IPD Group.

(ii) Excelsior may fail to implement its future business strategy successfully

There is a risk that the Company is unable to execute its business strategy and acquisitive growth (through new investments). The Company's ability to succeed in investments may be affected by a number of factors, including a) market expectations about the ability of the Company to pay a regular stream of fully franked dividends in the future; b) consistent good performance of the Company's investment portfolio; and c) the Company's maintenance of skilled specialist resources with long-term experience in trading through various market cycles.

Any delay in implementation of, failure to successfully implement, or unintended consequences of implementing any or all of the Company's business strategies may have an adverse effect on the Company's future financial performance and growth prospects.

(iii) Excelsior may face increased competition

Excelsior's portfolio investment business will operate in a highly competitive industry that is subject to factors such as a) the market risks of investments declining in value because of economic developments or other events that affect the share market; b) the liquidity risk of being unable to sell investments at a fair price at a time the Company requires cash; and c) share price volatility caused by lack of diversity within the portfolio.

(iv) Excelsior may be unable to obtain access to funding

There is a risk that Excelsior may not be able to raise adequate capital in the future to continue to pursue its business strategy and grow its business.

Volatility in the financial markets could have a material adverse effect on Excelsior's ability to fund its business using debt or equity. Excelsior's ability to raise additional funds will be subject to, among other things, factors beyond the control of Excelsior and its directors, including cyclical factors affecting the economy and share markets generally.

(v) Excelsior's information technology systems may fail and cause disruptions to its operations

If Excelsior is unable to protect against service interruptions, data corruption, cyber based attacks or network security breaches (which may be out of the Company's control), its operations could be disrupted, despite the IT security program that is in place.

Excelsior relies on information networks and systems to process, transmit and store electronic and financial information, to implement a variety of business processes and activities such as financial management and to comply with regulatory, legal and tax requirements. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or other unforeseen events.

Excelsior believes it has sufficient IT security controls in place, including encryption; data loss prevention; and role based access controls, however if Excelsior's information technology systems suffer severe damage, disruption or shutdown and the Company does not effectively resolve these issues in a timely manner, Excelsior's operations may be materially and adversely affected and Excelsior may experience delays in various services and reporting financial results.

If Excelsior is unable to prevent security breaches, it may suffer financial and reputational damage or penalties because of the unauthorised disclosure of confidential information belonging to the Company or its customers.

(c) Specific risks associated with Excelsior if the Proposed Transaction does not proceed

Excelsior Shareholders should be aware that if the Proposed Transaction does not proceed, they will retain their Excelsior Shares and will continue to be exposed to the risk factors relating to holding Excelsior Shares and the investment portfolio business described in Section 5.2(a), as well as the following risk factors relating to the current profile of Excelsior.

(i) General trading conditions are uncertain

There is no certainty about the general trading conditions in the market, which may lead to a reduced ability to operate the CMI Business in a manner that supports the current high standards of execution.

(ii) Macroeconomic risk

Arises from factors such as inflationary pressures, unemployment, interest rates, lack of income growth, business investment, government policy and spending, the volatility and strength of global and Australian capital markets, currency value and exchange rates.

(iii) Credit Risk

The risk of loss that arises when a customer or third party fails to pay an amount owing to the Company or a change in customer circumstances or a failure by Excelsior to adequately assess and manage credit risk. This may result in credit losses, decreased operating cash flows, increased funding costs and/or reduced access to funding. Excelsior is exposed to the risk that its customers do not meet their financial obligations or become insolvent.

(iv) Strategic Risk

The risk that Excelsior's strategy does not address market changes or unforeseen events or initiatives from Excelsior's competitors, or that the strategy is not effectively implemented.

(v) Excelsior will have incurred substantial costs and expended management time and resources for the Proposed Transaction

If the Proposed Transaction does not proceed, Excelsior will have incurred substantial costs in respect of a transaction that does not eventuate. This includes a significant proportion of management's time as well as legal and other advisory fees.

(vi) No other alternative proposal

The Excelsior Directors are not aware of any other offers for acquisition of the CMI Business or other alternative proposal meaning that the Proposed Transaction with IPD Group is the only proposal.

7. Additional Information

7.1 Summary of Share Sale and Purchase Agreement (SSPA)

Parties:	Excelsior Capital Limited ACN 050 542 553 (as vendor) and IPD Group Limited ACN 111 178 351 (as purchaser).
Securities being acquired:	The entire issued share capital of CMI Operations which will be acquired by IPD Group.
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 Excelsior 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 Excelsior.</p>
Conditions Precedent:	<p>The Proposed Transaction is conditional on certain conditions precedent customary for a transaction of this nature including:</p> <ul style="list-style-type: none"> Excelsior Shareholders approving the Proposed Transaction by ordinary resolution; no material adverse change to CMI Operations or the CMI Business between the date of the SSPA and Completion of the Proposed Transaction; and the parties obtaining certain necessary counterparty consents under certain agreements
Indicative completion date	Completion of the Proposed Transaction is expected to occur by 31 January 2024. If the conditions precedent are not fulfilled or waived by 31 March 2024, the Proposed Transaction may not proceed.
Conduct of business prior to completion	Excelsior is required to conduct the CMI Business in the ordinary course pending Completion. In addition, subject to some exceptions, Excelsior and CMI Operations must not undertake or agree to undertake certain activities without IPD Group's consent.
Exclusivity	<p>The SSPA contains certain exclusivity arrangements in favour of IPD Group, which are in line with market practice. Those arrangements include:</p> <ul style="list-style-type: none"> No talk: Excelsior must not participate in any negotiations or discussions with any person in relation to, or that may lead to, a competing proposal; No shop: Excelsior 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 Excelsior is approached in relation to a competing proposal, or a proposed or potential competing proposal, Excelsior must notify IPD Group 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; and

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	<ul style="list-style-type: none"> • Matching right: Excelsior is prohibited from entering into an agreement to undertake a competing proposal unless Excelsior has given IPD Group 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 "competing proposal" is, broadly speaking, a proposal under which a third party would, if the proposal were completed, acquire "control" of the Excelsior 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>Excelsior is not required to comply with the no talk and notification provisions in the SSPA if the Excelsior 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 Excelsior Directors.</p>
Break Fee	<p>Excelsior Break Fee</p> <p>Excelsior will pay a reimbursement fee to IPD Group of an amount no more than \$1.0 million to compensate it for actual costs incurred in negotiating and progressing the Proposed Transaction if Excelsior shareholders do not approve the Proposed Transaction in the following circumstances:</p> <ul style="list-style-type: none"> • Change of recommendation or recommendation of competing proposal: any member of the Excelsior Board fails to recommend or changes, withdraws or adversely modifies his recommendation of the Proposed Transaction or makes any public statement, or takes any other action that is inconsistent with his recommendation of the Proposed Transaction (including where a competing proposal is announced and is recommended by any Excelsior Director), other than as a result of the Independent Expert opining that the Proposed Transaction is not fair and reasonable and in the best interests of Shareholders or as a requirement of a Governmental Agency; • Failure to vote in favour: any member of the Excelsior Board fails to vote their Excelsior shares in favour of the Proposed Transaction; • Change of control of Excelsior: a competing proposal is announced, and within six months of the date of such announcement or the general meeting to approve the Proposed Transaction, the competing proposal is completed. <p>IPD Group Break Fee</p> <p>IPD will pay a reimbursement fee of \$1.0 million to Excelsior if IPD Group 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 Proposed Transaction; or • the debt financing facilities arranged by IPD for the Proposed Transaction.
Warranties and Indemnities	<p>Excelsior provides customary warranties regarding CMI Operations and its business and affairs and indemnifies IPD for liability arising from a breach of those warranties.</p> <p>In addition, Excelsior indemnifies IPD for any tax liability of CMI Operations prior to completion and provides specific indemnities for a small number of specific matters identified by IPD.</p>
Non-compete	<p>Excelsior 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>

7.2 Information about IPD Group

IPD Group (ASX: IPG) , is a company listed in the ASX and is a leading value added distributor and service provider to Australia's electrical industry. IPD Group has a proud history spanning over 65 years serving Australian customers. The IPD Group aims to improve lives by creating a future focused on sustainable electrical infrastructure, with a

mission centred on advancing energy efficiency, automation, and security, while prioritising the safety and well-being of people.

IPD Group operates a total of nine leased offices and warehouses with its headquarters located in Wetherill Park, Sydney. The IPD Group employs 550 employees in total, including 190 employees in its fully owned subsidiary in Sri Lanka providing cost effective back office support.

IPD Group has a long tenured executive team with an established track record of acquiring and growing businesses successfully. IPD Group's most recent acquisitions include Control Logic, HTC, Gemtek and Ex- Engineering.

The IPD Group prioritises innovation in energy efficiency, spearheading initiatives for electrification and decarbonisation that underline its commitment to developing sustainable electrical infrastructure. IPD Group's strengths align closely with Australia's drive toward achieving net-zero targets

7.3 Funding of the consideration for the Proposed Transaction

IPD Group will fund the Proposed Transaction through a combination of new debt facilities and a \$65 million equity raising comprised of a \$40 million institution placement and a \$25 million accelerated non-renounceable entitlement offer.

7.4 Other material information

Other than as set out in this Notice of Meeting, and information previously disclosed to Shareholders, there is no information known to the Excelsior Directors which might reasonably be expected to be material to the making of a decision by Excelsior Shareholders whether or not to vote in favour of the Resolution.

The Chairman of the Meeting intends to vote undirected proxies in favour of the Resolution.

7.5 Consents and disclaimers

The following parties have given, and have not withdrawn as at the date of this Explanatory Memorandum, their written consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- Nicholson Ryan as legal adviser to Excelsior;
- Houlihan Lokey as financial adviser to Excelsior
- Link Market Services Limited as Excelsior's share registrar; and
- RSM as Independent Expert.

Each party referred to in this Section 7.5:

- does not make, or purport to make, any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based other than a statement included in this Explanatory Memorandum with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum, other than as described in this Explanatory Memorandum with the consent of that party.

8. Glossary

\$ or A\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it.

Chairman means the chair of the Meeting.

CMI Operations means CMI Operations Pty Ltd ACN 088 279 270 t/a CMI Electrical.

CMI Business the electrical business operated by CMI Operations, as briefly described in Section 5.2(b).

Company or **Excelsior** means Excelsior Capital Limited ACN 050 542 553.

Completion means completion of the Proposed Transaction in accordance with the Share Sale and Purchase Agreement.

Completion Date the date for completion of the Proposed Transaction, expected to be 30 January 2024.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Excelsior Board means the board of directors of Excelsior.

Excelsior Director means a director of the Company.

Excelsior Group means Excelsior and its subsidiaries.

Excelsior Information means all information in this Explanatory Memorandum other than the Independent Expert's Report.

Excelsior Registry or **Registry** means Link Market Services Limited.

Excelsior Share means a fully paid ordinary share in the capital of the Company.

Excelsior Shareholder means a person who is registered in the Excelsior register of members as the holder of at least one Excelsior Share.

Explanatory Memorandum means this explanatory memorandum, including the Notice of Meeting, Independent Expert Report and Proxy Form.

FY means the financial year ending on 30 June.

General Meeting or **Meeting** means the extraordinary general meeting of the Company convened by the Notice of Meeting.

Independent Expert means RSM.

Independent Expert's Report means the report prepared by the Independent Expert, set out in Section 9.

IPD Group means IPD Group Limited ACN 111 178 351.

Listing Rules means the listing rules of ASX.

Notice of Meeting means the notice of extraordinary general meeting forming part of this Explanatory Memorandum.

Proposed Transaction means the sale by the Company of all of the issued share capital of CMI Operations to IPD Group under the SSPA for cash consideration of up to \$101 million, as summarised in Sections 2.2, and 7.1.

Proxy Form means the proxy form in respect of the Meeting.

Resolution means the resolution set out in the Notice of Meeting.

RSM means RSM Corporate Australia Pty Ltd ABN 82 050 508 024.

Section means a section in this Explanatory Memorandum.

Share Sale and Purchase Agreement or SSPA means the agreement dated 27 November 2023 between IPD Group and Excelsior for the acquisition by IPD Group of all of the issued capital of CMI Operations.

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9. Independent Expert's Report - (attached next page)

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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

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**").

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RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

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.

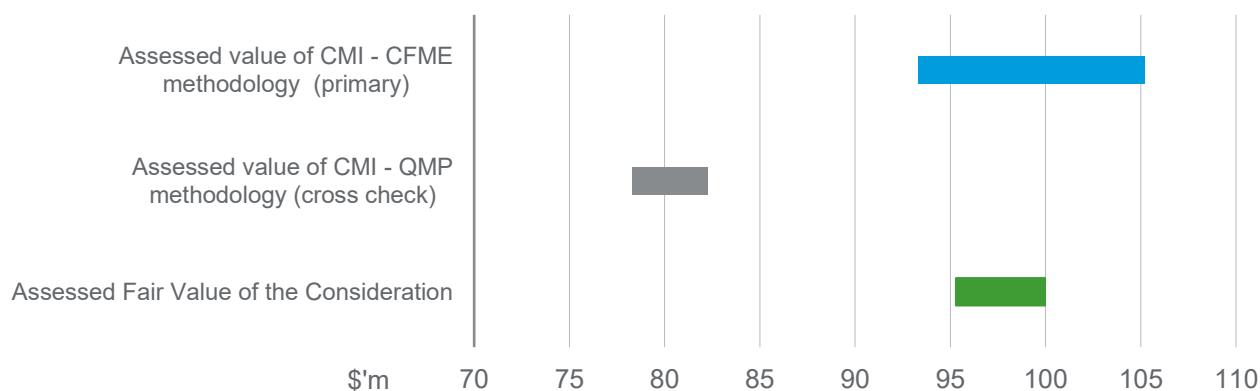
Table 1 Valuation summary

	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.

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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	<p>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.</p> <p>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.</p>

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.

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General

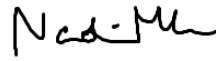
An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by their individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD



Andrew Clifford
Director



Nadine Marke
Director

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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).

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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.

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.

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).

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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 <i>Audited</i>	FY22 <i>Audited</i>	FY23 <i>Audited</i>
Revenue			
Revenue from contracts	75,064	93,426	104,028
Revenue	75,064	93,426	104,028
<i>Revenue growth</i>	<i>N/A</i>	<i>24.5%</i>	<i>11.3%</i>
Cost of sales	(55,764)	(68,746)	(75,491)
Gross margin	19,300	24,680	28,537
<i>Gross margin %</i>	<i>25.7%</i>	<i>26.4%</i>	<i>27.4%</i>
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
<i>EBITDA margin %</i>	<i>12.8%</i>	<i>14.2%</i>	<i>15.6%</i>
Depreciation	(1,518)	(1,478)	(1,400)
Amortisation	(253)	(244)	(224)
EBIT	7,809	11,576	14,655
<i>EBIT margin %</i>	<i>10.4%</i>	<i>12.4%</i>	<i>14.1%</i>
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

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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

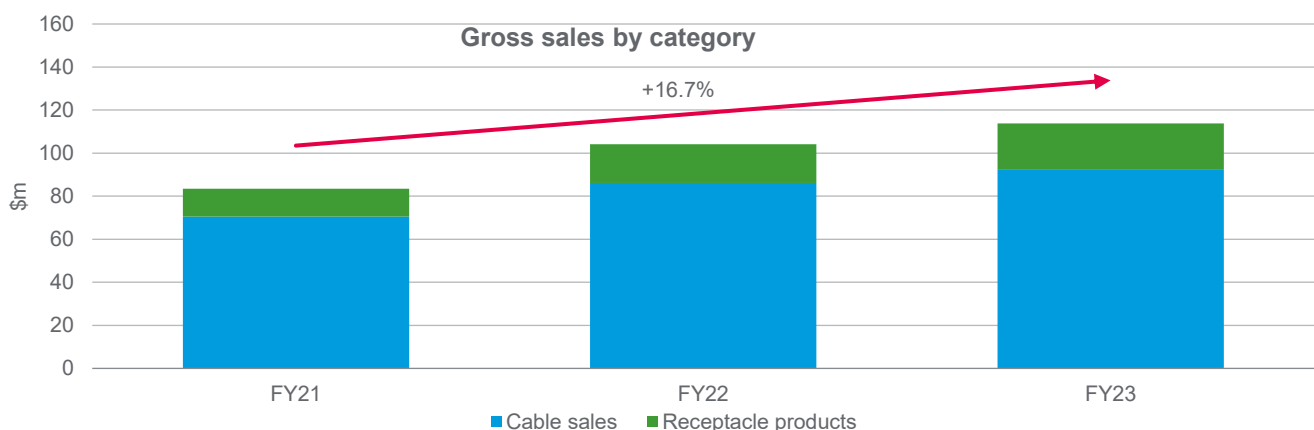
CMI Financial performance (\$'000)	FY21 Mgt	FY22 Mgt	FY23 Mgt	YTD24 Mgt
Revenue				
Revenue from contracts	75,064	93,426	104,028	36,240
Revenue	75,092	93,452	104,074	36,240
Revenue growth	N/A	24.5%	11.4%	N/A
Cost of sales	(55,764)	(68,746)	(75,491)	(26,169)
Gross margin	19,327	24,707	28,583	10,071
Gross 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 <i>Audited</i>	FY22 <i>Audited</i>	FY23 <i>Audited</i>
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.

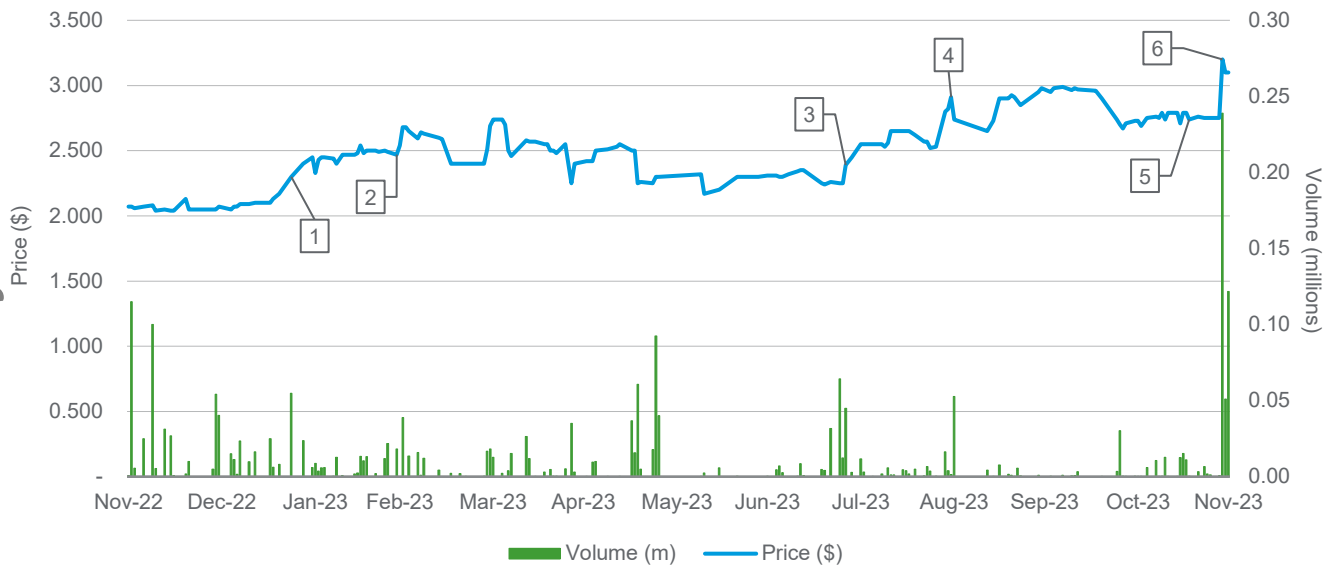
We note the following in relation to CMI's financial position:

- 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.

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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.

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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	Low	High	Preferred
Valuation Summary - CFME methodology	\$'000	\$'000	\$'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
- net 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.

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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 Hew tech 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.

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- 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.

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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	Low	High	Preferred
Capitalisation multiple (EBIT)			
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	Power 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.

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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		No. of days traded	Volume traded	Value traded \$	VWAP \$	Percentage of issued capital %
	Low \$	High \$					
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;

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- 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.

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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	Low	High	Preferred
Assessed Fair Value of Consideration (\$'000)	\$'000	\$'000	\$'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		Low	High	Preferred
Assessed Fair Value of the Contingent Consideration	Ref.	\$'000	\$'000	\$'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:

- FY23 EBIT of \$15.4m as defined in the SSPA.
- 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.

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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.

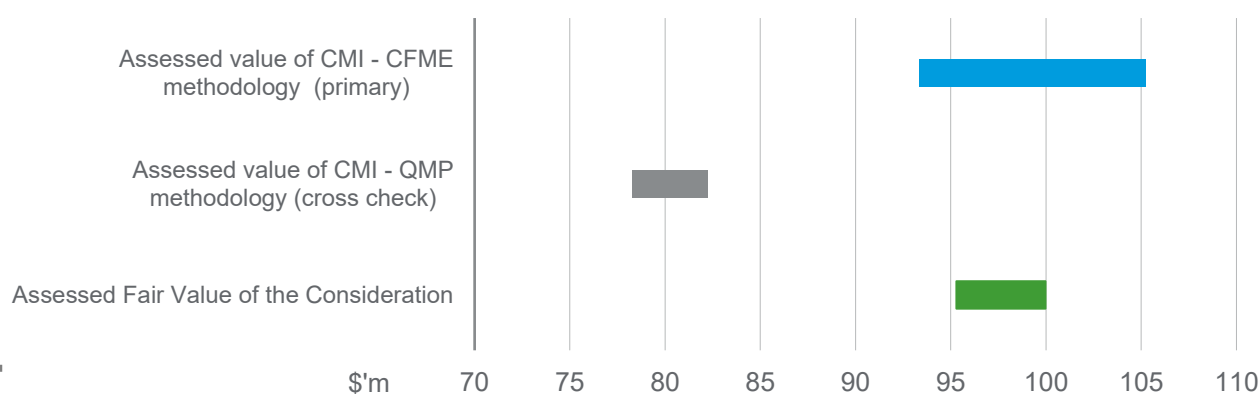
Table 20 Assessed Fair Value of CMI and the Consideration

	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.

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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

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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 %
<i>Calendar days prior to 28 November 2023</i>							
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%
<i>Calendar days from 28 November 2023</i>							
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.

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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	<p>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.</p> <p>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.</p>
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.	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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.

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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.

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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.

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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

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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:

$$\text{WACC} = [\text{Re} \times \text{E/V}] + [\text{Rd} \times (1 - \text{tc}) \times \text{D/V}]$$

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:

$$\text{Re} = \text{Rf} + \beta(\text{Rm} - \text{Rf}) + \alpha$$

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

IPD 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%.

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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 R _e	13.3%	15.1%	14.2%
Cost of Debt			
Debt / (Equity + Debt + Leases) x R _d	1.2%	1.2%	1.2%
Cost of Leases			
Leases / (Equity + Debt + Leases) x R _l	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

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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.

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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

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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 Çayırova, 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.

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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

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F. INDUSTRY OVERVIEW

Electric Cable and Wire Manufacturing⁴

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.

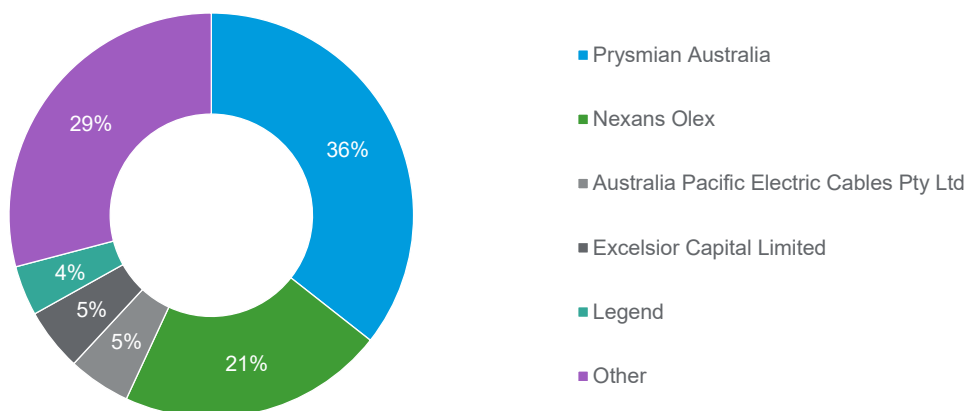
Trade weighted index

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.

Estimated Market Share (%) in 2024



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.

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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 receptacle 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

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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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