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The Directors
Velogic Holding Company Ltd
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Our ref HBB/LB/170821

17 August 2021

Dear Sir/s

Report of the Independent Valuer

Introduction

The Board of Velogic Holding Company Ltd ("VHCL" / the "Company") has approved the listing of the Company on the Development & Enterprise Market ("DEM") of the Stock Exchange of Mauritius.

KPMG Advisory Services Ltd ("KPMG") has been approached to act as independent valuer in the context of the proposed listing of VHCL.

Scope of work

Our scope is to carry out a valuation of VHCL for the purposes of a listing on DEM. In arriving at our valuation conclusion, we applied generally accepted valuation procedures based upon economic and market factors as of the valuation date.

Responsibility

The compliance with the DEM Rules is the responsibility of the Board of VHCL.

Key valuation considerations

In arriving at our valuation conclusion, we have undertaken the following procedures in the independent valuation of VHCL:

- obtained an understanding of the structure of VHCL and the income generating units that make up the business of VHCL;
- considered the management accounts of VHCL and the income generating units as at 30 June 2019, 30 June 2020 and 30 June 2021;



- held discussions with the management of VHCL around its strategy and outlook, and other matters we considered necessary, including assessment of the prevailing economic and market conditions in the industry; and
- considered management's forecast (30 June 2022 – 30 June 2026) in respect of VHCL and each income generating unit, the basis of the assumptions therein including the prospects of the business.

Valuation

We have approached the valuation of VHCL by considering each income generating unit that make up the consolidated value of VHCL prior to its listing.

We have performed our valuation on a consolidated basis by applying the discounted cash flow methodology.

Future free cash flows

In determining the expected future unlevered after-tax cash flows, i.e. the free cash flows to be used for the discounted cash flow valuation, we made various adjustments to the management-prepared projections. These relate to (i) the treatment of the right of use asset (ROUA) under IFRS16, and (ii) future strategic capacity building which management is envisaging over the next five years.

- ROUA: IFRS16 relates to a lease accounting treatment, applicable since January 2019. Under IFRS16, some leases may no longer be considered as operating leases, but as assets owned by the Group: a 'Right of use' asset is recognized in the balance sheet, and a financial liability corresponding to the net present value of future minimum payments. This leads to: (i) a higher EBITDA as the lease expenses are reclassified as a financing item, and (ii) a higher net debt resulting from the recognition of the lease liability. ROUA is a non-cash financial reporting adjustment. For the purposes of our DCF valuation, the lease expenses were reclassified as an operational outflow in the EBITDA and the corresponding liabilities were excluded from net debt.
- Rids France: Rogers Ids SA (France) Ltd ("Rids France") has been loss making during the period FY19 – 21. Upon discussion with management, it is understood that VHCL has a potential buyer for a 70% stake in Rids France and that the deal may progress to completion in September 2021. To this effect, we have excluded the future EBITDA contribution of Rids France from the management-prepared forecast for our valuation given that RIDS France will be deconsolidated and treated as an Associate in the future. The management's projected contribution from the new investment in Associate has been included instead.
- Strategic capacity building: Management's forecasts included acquisitive milestones in 2022 and 2023. This entailed additional capacity assumptions in foreign markets such as Kenya. Given that these initiatives were still at planning stage, and no specific targets have been identified or approached, this was adjusted out in the DCF model and the forecasts. Maintaining these cash flows would have resulted in a higher specific risk premium in the discount rate to an event over which there is no visibility nor acquired rights.



In addition, we also considered a normalized level of working capital based on normalized days sales outstanding (DSO) and days payable outstanding (DPO) KPIs as well as a Capex profile reflective of the adjustments.

Discount rate

The adjusted forecast free cash flows were discounted at a Weighted Average Cost of Capital ("WACC") of 12.2%, which is based on (i) a cost of equity of 15.7%, (ii) an after-tax cost of debt of 5% and (iii) an average debt-to-asset ratio of 32.4% to reflect an optimal capital structure. The cost of equity includes a specific risk premium of 4% to reflect non-systematic risk factors identified during our review and which we viewed as company-specific risks that are different from those impacting its competitors in the industry and cannot be fully mitigated through diversification.

Terminal value

A perpetual growth rate of 2% was considered to determine a terminal value at the end of explicit forecast period (2026).

The discount rate for the terminal period was 10.2%.

Conclusion

After undertaking the valuation as presented above, we determined the value of the equity of Velogic Holding Company Ltd, on a proforma consolidated basis as at 30 June 2021, to be MUR 2.530 billion.

Limitations

Our opinion is necessarily based upon the information available to us up to 06 August 2021, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or by discussion with management of VHCL or by reference to publicly available and independently obtained information.

While our work has involved an analysis of financial and other information provided to us, our engagement does not constitute, nor does it include, an audit or review, due diligence, or other assurance engagement or an agreed-upon procedures engagement, performed in accordance with International Standards on Auditing, International Standards on Review Engagements, International Standards on Assurance Engagements or International Standards on Engagements to perform Agreed-upon Procedures regarding Financial Information.

Where relevant, the forecasts of VHCL relate to future events and are based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of VHCL will correspond to those projected. Where practicable, we



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compared the forecast financial information to past trends as well as discussed the assumptions inherent therein with the management of VHCL.

Independence

We confirm that we have no direct or indirect material interest in Velogic Holding Company Ltd.

Consent

We consent to the inclusion of this letter and the reference to our independent valuation in the Admission Document to be issued by VHCL in the form and context in which it appears and in any required regulatory announcement or documentation.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Huns Biltoo', with a stylized flourish at the end.

Huns Biltoo
Partner