Project Globe

Expolanka Holdings PLC

Valuation Memorandum

February 2024

KPMG
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26 February 2024

The Board of Directors,
Expolanka Holdings PLC
No 10, Milepost Avenue,
Colombo 03.

Attn: Mr. Mushtaq Ahamed

Dear Sir,

Final report regarding the Valuation of Expolanka Holdings PLC and its subsidiaries

We enclose our final report with regard to the Valuation of Expolanka Holdings PLC ("EXPO" or the "Client") and its subsidiaries ("Group") for internal decision-making purposes.

This report has been prepared on the basis of fieldwork carried out up to 19 February 2024. We have completed the work required to enable us to report fully in accordance with the terms of reference set out in our Engagement Letter dated 19 February 2024.

We have not undertaken to update our report for events and circumstances arising after that date. In carrying out our work, we have relied upon information provided by the Management of EXPO. We have not audited or carried out due diligence procedures on the information and therefore we make no representations as to its accuracy and completeness.

Our report is for your information only and should not be quoted or referred to, in whole or in part, without our prior written consent.

The terms of reference for this report, included as part of the Engagement Letter, have been agreed by you and we will not accept responsibility to any other party to whom the report may be shown or who may acquire a copy.

Yours faithfully,

KPMG

Terms of engagement

- KPMG was appointed by Expolanka Holdings PLC (“EXPO”, the “Client”) to carry out a valuation of EXPO and its subsidiaries (“Group”) for internal decision-making purposes.
- KPMG is to undertake the valuation of the companies as of 31 December 2023 (the “Valuation Date”).
- Any decision by the Client regarding the Purpose shall rest solely with the Client.
- The Memorandum is prepared on the basis of the sources of information listed in Appendix 5.2. KPMG has not verified any of the information presented in this memorandum and has relied upon the Management of EXPO to provide us with written representation that the information contained in this memorandum is materially accurate and complete, fair in the manner of its portrayal and therefore forms a reliable basis for the Valuation.
- This Memorandum is based on information gathered or provided to KPMG which KPMG has not independently verified. KPMG, nor affiliated partnerships or bodies corporate, nor the directors, shareholders, managers, partners, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information contained in the report. All such parties and entities expressly disclaim any and all liability for or based on or relating to any such information contained herein, or errors or omissions from this memorandum or based on or relating to the use of this memorandum.
- Further, the Client agrees to indemnify and hold harmless KPMG, its directors, employees and agents from and against any and all costs, expenses, losses, claims, demands, actions, suits or proceedings paid, incurred or suffered by or made or initiated against them or any of them by any third party arising out of or in connection with this Engagement, except to the extent that any such costs, expenses, claims, demands, actions, suits or proceedings arise from our willful default. In any event, our liability would be restricted to a maximum of one time of our fees, as per our Letter of Engagement.

Disclaimer (1/2)

— KPMG's role will be limited to preparation of the Valuation, on your behalf, and on the basis of information received from the Client.

— We will not be making any recommendations to you. The complete and final control and responsibility of all key decisions, including but not limited to, those concerning the Valuation, will rest with you.

— For the purpose of carrying out this assignment, we will rely largely on inputs and information provided by the Company and on published and secondary sources of information that we believe to be credible and reliable. We will not be responsible for errors and inaccuracies in the base data supplied to us.

— The procedures we will perform will not constitute an audit and, consequently, no assurance will be expressed.

— We will review the projected financials/information/document from a commercial perspective to assess the impact on the business and will not comment on the appropriateness of or independently verify the assumptions or information provided to us. We will not be expressing any legal or tax opinion on the same.

— Further note that since the strategy and plans relate to the future, actual results are likely to be different from the projected assumptions because events and circumstances may not occur as expected, and the differences may be material. In carrying out the assignment, we will rely extensively on technical, financial and other information made available to us by the Company and your team and any other person(s) you may nominate to provide information to KPMG with respect to the Engagement.

— It is clarified that Commercial and Legal Due Diligence, Feasibility, Formal Opinion on the assumptions underlying the projections, and technical valuation of the assets will not form part of our work.

— Our analytical efforts will be executed on a best-efforts basis, being dependent on the availability of data in the public domain and in our databases. KPMG will depend on existing available information on the geographies and markets, which might be in the form of publicly available reports, KPMG's Internal Knowledge Base (firm-wide intranet), etc. All industry and competitor analysis will be carried out based on information available in the secondary domain. While KPMG shall make all necessary efforts to ensure that it will source data only from credible public sources, we cannot possibly verify the accuracy of the same.

— KPMG will not have the responsibility of updating the deliverable after the conclusion of the Engagement, or the submission of the final report, unless otherwise agreed through a separate scope of work.

— While undertaking this Engagement, neither KPMG nor any of its members or employees will assume or be required to assume any responsibility for the Management, the sole responsibility of which remains with the Company and its Management. The Company will be responsible for considering the outcomes of the services provided by KPMG and for any actions arising from such services.

Disclaimer (2/2)

- Our memorandum is provided on the basis that they are for your information, however if you wish to quote or refer to our report, in whole or in part, the complete and final control and the responsibility of all decisions arising, including but not limited to, those concerning the share value and company value, legal and financial structure and any proposed transaction will rest with you.
- Nothing contained herein constitutes an offer or solicitation for the purchase or sale of any investments or to make any amendment to any agreement or to enter into any agreement.
- This Report is released on the basis that, save as may be required by law, it is not to be copied, referred to or disclosed, in whole or in part, without our prior written consent; and this Report is confidential, and disclosure of the Report will or may prejudice our commercial interests.
- To the fullest extent permitted by law we accept no responsibility or liability to any party in connection with the Services.
- Our Client or any party perusing this report cannot hold KPMG responsible for any claim, liability, loss or damage caused to such parties, in connecting to the content, finding and or recommendations in the report and use of the Report is at each such party's own risk.

Glossary

AWPLR	Average Weighted Prime Lending Rate
Bn	Billion
CAPEX	Capital expenditure
CBSL	Central Bank of Sri Lanka
EXPO/Client	Expolanka Holdings PLC
DCF	Discounted cash flow
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EV	Enterprise value
FCFF	Free Cash Flow to Firm
FYE	Financial year End
IMF	International Monetary Fund
Ke	Cost of equity
Kd	Cost of debt
LKR	Sri Lankan Rupee
Management	Management of Expolanka Holdings PLC
Mn	Million
MRP	Market risk premium
NAV	Net asset value
PPE	Property, Plant and Equipment
Rf	Risk free rate
SOTP	Sum-of-the-Parts
SOFR	Secured Overnight Financing Rate
TV	Terminal value
USD	United States Dollar
VWAP	Volume Weighted Average Price
WACC	Weighted average cost of capital
YoY	Year-on-Year

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1.0

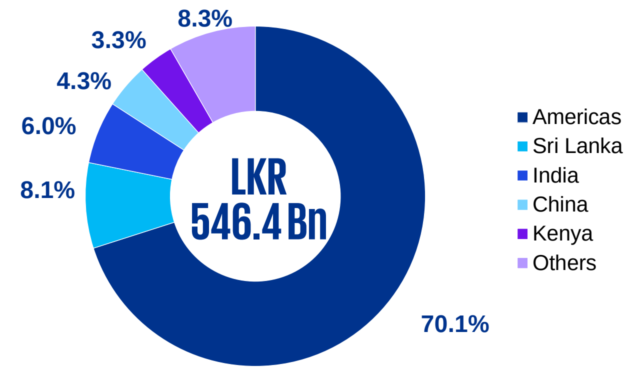
Executive Summary

Introduction

Expolanka Holdings PLC

- Expolanka Holdings PLC ("EXPO") is a distinguished conglomerate based in Sri Lanka, recognized for its broad range of operations across the logistics, leisure and investment sectors.
- The Group was established in 1978, and has since expanded its global footprint, operating in more than 39 countries across four continents.
- The Group derives 92.0% of its revenue from international markets, and currently employs over 3700 employees.
- It was established as a publicly-listed company in 2011 and has operated as a subsidiary of SG Holdings since 2014, which facilitated further growth into other countries.
- EXPO has a total of 17 direct subsidiaries and 73 indirect subsidiaries.

Geographical revenue contribution as of FYE23



Source: Annual report

Engagement overview

- KPMG was engaged by EXPO to carry out a share valuation of Expolanka Holdings PLC and its subsidiaries as of 31 December 2023 (the "Valuation Date") for internal decision-making purposes.
- The Valuation was carried out based on audited financial statements and management accounts of Expolanka Holdings PLC.
- The Valuation carried out by KPMG will not form a recommendation to any party. KPMG has provided only a range of values in relation to the fair value of the equity, based on a number of methodologies. The final value selected will be at the sole discretion of the company and KPMG will not be responsible for the ultimate selection of the value.

Key considerations

- The Valuation has been carried out utilizing the audited and non-audited financial statements, management accounts and management projections provided by the companies. Considering the scope and timeline for this group valuation, it has been agreed with the management that our valuation would be a cluster wise valuation for the freight, leisure and investment sectors of the Group.
- The value based on Discounted Cash Flow methodology ("DCF") has been computed based on our analysis whilst reflecting on the current market conditions and referring to management projections, as applicable. The value of the DCF is subject to the achievability of the assumptions considered in the analysis.
- The board approved cash flow projection was provided for only a 3-year period for starting from Q4 of FYE24 till FYE27 for all 3 clusters, however, we were provided with management analysis to the expected performance of the Group thereafter.

Valuation structure

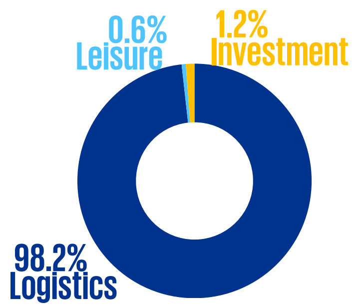
Logistics

- EXPO's operations in the logistics sector is led by EFL Global, offering global supply chain solutions in over 39 countries.
- Their operations include air and ocean freight, warehousing, drayage, customs brokerage, transloading and other container freight station (CFS) related services.
- Business is concentrated in the North America Trade lane, with a growing network presence in Asia, Africa, the Middle East, and Central America. As of FYE23, US trade route contributes to 81% of the gross profit.
- EXPO plans to capitalize on EFL Global's international reach to further establish operations in key selected markets.
- EFL's acquisition in Trans America Customer Broker's Group on 27 February 2023 will expand its capabilities to offer more customs brokerage, clearance, and consulting solutions.
- Further, EFL Global completed acquisition of Locher Evers International (LEI), on 30 March 2023 which is expected to expand EFL's footprint in the Canadian market and strengthens its capabilities to provide end-to-end logistics solutions to customers across various industries.
- The company also aims to grow warehousing and distribution capacity in the domestic logistics sector, while prioritizing technology development.

Leisure

- EXPO presence in the leisure sector includes corporate travel, outbound leisure, inbound, and value-added services including VISA and insurance.
- This sector is primarily led by Classic Travels (Private) Limited, a dominant player in Sri Lanka's travel industry with near to three decades of experience.
- During FYE23 the Group acquired 100% of the voting shares of Gabo Travel (Private) Limited and related companies while also expanding operations to Dhaka, Bangladesh.
- Further expansion to Dubai is expected to consolidate international revenue through leisure, inbound and value-added services.

Sector-wise revenue contribution (FYE23)

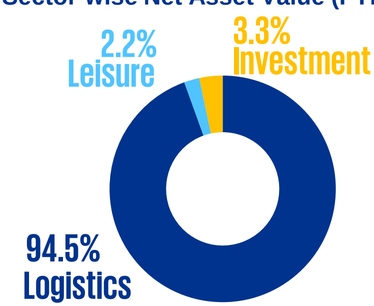


Source: Annual report

Investments

- The investment sector of the group focuses on two main operations. The export operations through Tropikal Life International (Private) Limited that exports fresh produce, dried foods, and value-added exports and IT solutions led by ITX 360 (Private) Limited, an end-to-end IT solutions provider.
- Export operations also carries out an international trading model where certain produce is procured from international markets and exported to customers.
- This sector also acts as a shared-services function as it provides IT services across the group.

Sector-wise Net Asset Value (FYE23)



Source: Annual report

Executive summary

Valuation summary (1/2)

Valuation overview

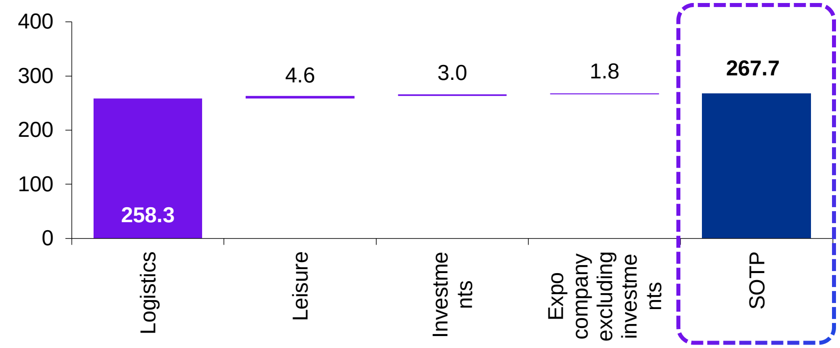
- A combination of valuation methodologies namely, Discounted Cash Flow Methodology ("DCF") and Net Asset Value methodology ("NAV") and Volume Weighted Average Price ("VWAP") were considered in arriving at the equity value range EXPO.
- The Valuation has been carried out utilizing the audited and non-audited financial statements as provided by Management. The business plan provided by the Company was referred to, where applicable.
- Under the SOTP approach the fair value of the investment in subsidiaries was valued under the DCF approach whereby the logistics, leisure and investment sectors were valued based on the projected cash flows provided by the management.
- The Market Multiple Methodology could not be applied as the logistics sector generated negative earnings for the trailing twelve-month period as at the Valuation Date.
- The DCF value for the logistics sector was arrived at based on the projected USD cashflows and converted bases on the exchange rate as at the report date. Accordingly, we have provided as sensitivity analysis below on the impact to the possible movement in the exchange rate under the SOTP valuation.
- The table alongside shows the Equity Value range and value per share for EXPO as of the Valuation Date, arrived at under a Sum-of-the-Parts ("SOTP') basis.
- Accordingly, based on the scope of our review and subject to assumptions and restrictions as set out later in this report, the estimated equity value based on the SOTP methodology as of the Valuation Date lies within the range of LKR 246.7 Bn and LKR 294.1 Bn.

Valuation summary

	Equity value '000			Value per share (LKR)		
	Min	Base	Max	Min	Base	Max
Group NAV	129,109,396	129,109,396	129,109,396	66.0	66.0	66.0
SOTP	246,702,055	267,722,286	294,063,958	126.2	136.9	150.4
VWAP	261,439,008	273,215,979	298,266,604	133.7	139.8	152.6

Source: Management, KPMG analysis

SOTP Value contribution (LKR Bn)



Source: Management, KPMG analysis

Valuation summary (2/2)

Sensitivity to exchange rate

- The DCF value for the logistics sector was arrived at based on the projected USD cashflows and converted bases on the exchange rate as of the report date. Accordingly, we have provided as sensitivity analysis below on the impact to the possible movement in the exchange rate under the SOTP valuation.

Sensitivity analysis - USD to LKR exchange rate							
				Exchange rate			
In LKR	310.0	314.7	319.3	**324.0**	326.0	328.0	330.0
Equity value per share	131.2	133.1	135.0	**136.9**	137.8	138.6	139.4

Source: Management, KPMG analysis

- Further the VWAP approach has been used in deriving the equity value of EXPO where the volume weighted average prices for the 1st January 2023 to 31 December 2023 were considered. Accordingly under the VWAP apprach, the value of EXPO ranges from LKR 133.7 per share to LKR 152.6 per share.
- Based on the above, the value of EXPO ranges from LKR 126.2 (SOTP) to LKR 151.8 (VWAP) per share as at the Valuation Date.

Key point

- The per share value ranges for Expo from LKR 126.2 (SOTP) LKR 152.6 (VWAP).
- We suggest a value between LKR 136.9 (SOTP) to LKR 152.6 (VWAP) for a potential transaction, excluding any premium or discount, considering that this range would better reflect the potential future performance of the business.

Executive summary

Strategic initiatives (1/2)

Acquisitions made during FYE23

Acquisition of Trans American Customhouse Brokers LLC and its related companies

- Trans American Group is a leading Customs House Broker in North America with a history of nearly 40 years servicing a range of leading brands in the US and Canada.

- The acquisition enables EXPO logistics sector to extend its brokerage services thereby enhancing its overall service capabilities, customer portfolio & operations in North America.

Acquisition of Locher Evers International Inc and its group companies

- Locher Evers International Inc ("LEI") and its Group Companies is a family-owned Canadian logistics company with a history of nearly 47 years and two large warehouse facilities in Canada, totaling 300K Sq Ft. These facilities have thus far been underutilized. This acquisition will result in growth in revenue for the warehouse segment.

Acquisition of Gabo Companies

- Gabo companies is based in Sri Lanka and specializes in a varied portfolio of travel products with a reputation as a leading company under the banner of "Gabo Travels".
- The acquisition enables EXPO leisure sector to expand its customer base within Sri Lanka.

Acquisition of TT Aviation Handling Services (Private) Limited

- TT Aviation Handling Services (Private) Limited, a non-listed company based in India specialized in providing bonded and non-trucking services in India.
- This acquisitions enables EXPO logistics sector to expand their footprint in India.

Acquisition of EFL Global Projects Private Limited

- Previously known as Caliber India Global (Private) Limited, EFL Global Projects is a non-listed company based in India which is positioned to provide Logistics services for Infrastructure projects. Expo Freight Private Limited (EFL India), a fully owned subsidiary of Expolanka Holdings PLC, acquired the balance 50% equity interest of EFL Global Projects Private Limited

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"Oki Doki" International Expansion

- "Oki Doki" is a Sri Lanka based B2B Trucking company offering a tech platform-based trucking solution and commenced international expansion by establishing its first operation in Indonesia (June 203).

- Indonesia is a large consumer market where the trucking industry is relatively disorganized. Many manufacturers and retailers demand for high service standards which is not easily on offer. Oki Doki aims to extend its capabilities and know how into this market.
- The company is taking a long-term view on the market and aims to achieve consistent growth from the 3rd year of its operations.

Developing an Intra-Asia Trade Lane Portfolio

- Intra-Asia is the largest trade bloc in the world.
- EFL has a strong presence in the economies within this market and has been working on developing an Intra Asia solution which combines a total logistic offering covering Forwarding, Warehousing & Transport.

Strategic initiatives (2/2)

International expansion of EFL 3PL business

- "EFL 3PL" formed in 2012 operates as an Independent third-party logistics (3PL) solution provider offering a range of Distribution Centre services.
- Expansion of EFL 3PL business internationally is expected to build domestic revenue stream for the various origins. Cross opportunities, where EFL 3PL and the respective EFL company will participate in joint bids in offering a total logistics solution is currently been explored. This service offering has been trialed in Sri Lanka successfully with a leading local player.

India

- The company has commenced its international expansion by establishing a company in India to service one of the world's largest logistics markets.

- The operations will commence in Mumbai, the largest logistics hub in India and gradually transition to other key Metro's. Demand for Tier 1 warehouse offerings such as those offered by EFL 3PL is in high demand in India. Spread over 20+ cities in India, EFL India hold a strong position with local clients.

Bangladesh

EFL 3PL has established an operation in Bangladesh, a leading apparel manufacturing company in the world which is expected to commence operations during FYE5.

Malaysia & Indonesia

- Advanced discussions have been held with customers and partners in exploring opportunities in new markets in Malaysia and Indonesia. Markets are expected to go live during FYE25F.

Growth in Domestic Logistics Operations in the US

- The following strategies have been implemented to grow the domestic logistic operations in US.
  - Acquisitions of Seville Logistics & Complete Transport
  - Established its own warehouse facilities both in the East coast and West Coast (EFL USA currently has ~800K Sq Ft of warehouse capacity to service the discerning needs of customers)
  - Strong relationships with a network of trucking companies to offer Drayage services to EFL Customers

Expansions in European market

- The European market contributes 7%-10% of total revenue of the group and has been a stable performer.
- Established own operations and warehouse in United Kingdom. This Enabled EFL to provide services to customers directly where previously EFL worked with 3rd party agents to carry out on ground services.
- Established Spain operation – In aim of servicing the Spain trade lane.

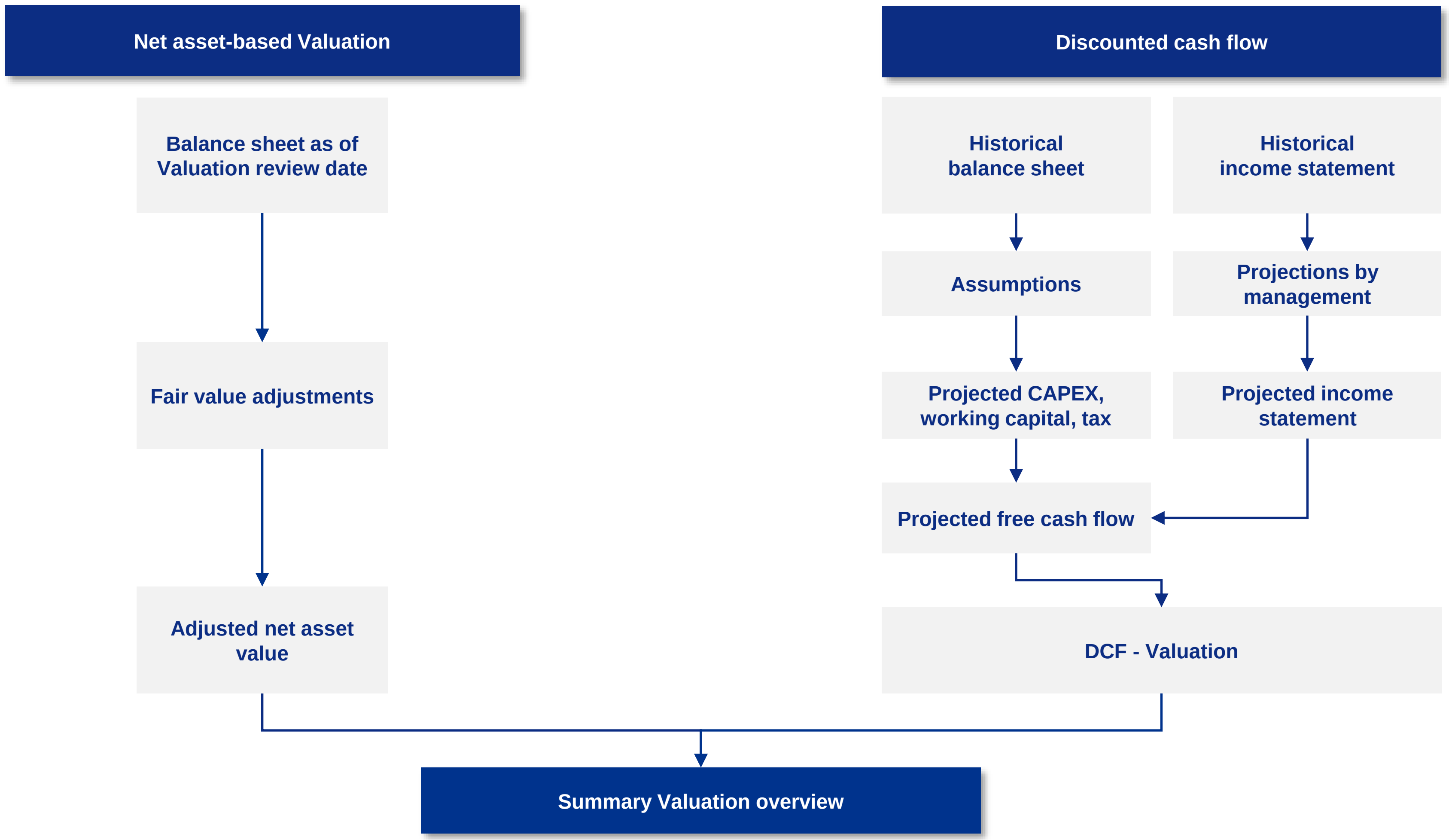
New products development

- **Purchase Order ("PO") Management –** A supply chain solution where EFL will take over the supply chain management of a customer's operation (4PL).
- **PO Consolidation –** Consolidating different orders from different vendors to the same customer (Execution role)
- **E-commerce operations –** In collaboration with parent company, SG Holdings (Sagawa), it is currently exploring to build on expertise in Last mile delivery.

2.0

Methodology and approach

Valuation methodology summary



Valuation approach (1/2)

Basis of valuation

— This Valuation has been prepared on the basis of 'Fair Value' and reviews 100% equity in EXPO and its subsidiaries as of 31 December 2023. The generally accepted definition of 'Fair Value' is the value as applied between a hypothetical willing vendor and a hypothetical willing prudent buyer in an open market and with access to all relevant information.

— Valuation is not a precise science and the conclusion arrived at, in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value and we normally express our conclusions for an indicative valuation, as falling within a likely range of approximately plus or minus of a relevant percentage from the midpoint.

Valuation methodology

— 'Fair Value' is commonly derived by applying the following methodologies in the Valuation Report:

  — Discounted cash flow methodology ("DCF").

  — Net asset value ("NAV").

  — Sum of the Parts ("SOTP").

— Each of these methodologies and their suitability in being applied in the Valuation are discussed hereafter.

Discounted cash flow methodology

— Value is future oriented and accordingly, the theoretically correct manner to assess value is to consider the future earnings potential.

— Under a DCF approach, forecast cash flows are discounted back to the present date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business reflective of an entire operation cycle for more cyclical industries. Typically, a forecast period of at least five years is required, although this can vary by industry and sector.

— The rate at which the future cash flows are discounted (the "discount rate") should reflect not only the time value of money, but also the risk associated with the business' future operations. The discount rate most generally employed is the Weighted Average Cost of Capital ("WACC"), reflecting an optimal as opposed to the actual financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value ("EV") for the business.

— In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. The 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity, is a common method. These results would be cross-checked, however, for reasonability to implied exit multiples.

— The rate at which future cash flows are discounted should reflect not only the time value of the cash flows but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible Valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

Valuation approach (2/2)

Net assets methodology

— Under a net assets approach, total value is based on the sum of net asset value plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

— Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values.

— A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to book multiple, which can then be compared to that of similar transactions or quoted companies.

— A net asset methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business. A net asset approach is also useful as a cross-check to assess the relative riskiness of businesses (e.g. relative levels of tangible asset backing).

Sum of the parts methodology

– Under the Sum of the Parts ("SOTP") pricing approach, the price of each of the entities will be reviewed separately using appropriate pricing methodologies, stated as above, then summing the prices up to derive the value of the parent entity.

Cost of capital computation

Cost of equity

— The cost of equity is derived using the Capital Asset Pricing Model ("CAPM") as follows:

Ke = Rf + MRP*Beta + Alpha

Where:

Rf = the current return on risk-free assets

MRP = Market risk premium

Beta = Systematic risk associated with the business

Alpha = the unsystematic risk associated with the business' specific factors, as applicable

Risk free rate

— The nominal risk-free rate was derived by reference to the 10-year treasury bond yield as of 31 December 2023. We have considered the US risk free rate for the logistic sector and the SL risk free rates for the leisure sector WACC computations. Please refer slide 29 and 35 for more information on the respective risk-free rates.

Beta

— Beta factor represents the systematic risk associated with the industry, in which the business is involved, comparable to the average market risk. We have extracted betas for our analysis from Prof. Damodaran's sector-wise beta database.

— We have extracted the unlevered beta to capture the industry risk in relation to the market and then adjusted (levered) to reflect the entity's capital structure.

Market risk premium

— We have extracted the market risk premium from Prof. Damodaran's country-wise market risk premium database, to appropriately capture the additional expected return an investor demands to hold equities of average risk over a risk-free investment.

Alpha

— The alpha factor includes a premium for company size and company specific risk to reflect additional risks associated with the business, industry, forecast, liquidity risk, among others. We have used an alpha factor of 2.0% for logistics and 3.0% for leisure sector company specific risks.

Cost of debt

— Cost of debt of was derived with reference to the Federal Reserve's Secured Overnight Financing Rates ('SOFR") for logistics and Average Weighted Prime Lending Rate ("AWPLR") for leisure as of 31 December 2023 and gradually reduced based on the historical average.

— .The resulting total cost of debt has been adjusted to the respective corporate tax rate applicable under the current tax regime.

Weighted Average Cost of Capital

— In order to determine the discount rate, we have used the WACC methodology as set out below

WACC = Ke* (E/(D + E)) + Kd* (1-T) * (D/(D + E))

Where:

Ke = cost of equity

E = market value of equity

Kd = cost of debt

D = market value of debt

T = corporate taxation rate

Terminal value and other considerations

Terminal value (TV)

— At the end of the forecast period, it is assumed that the net profits will continue to grow and hence, the corresponding cash flows generated by the entity will continue indefinitely.

— The most common approach to calculating terminal value is to apply a constant growth model, utilizing the following formula:

  — **FV of terminal value = [FCFF * (1 + g)]/(r-g)**

  — **PV of terminal value = FV of terminal value/[(1+r)^n]**

  (g = growth rate, n= number of years, r = discount rate)

— The results of this approach would then be cross checked for sensibility to the implied exit multiple at that date.

— Adjustments to 'normalize' free cash flow also needs to be considered in the terminal year including:

- ongoing capital expenditure versus depreciation and amortization levels.
- ongoing working capital requirements.
- the impact of economic cycles.

3.0

Valuation and interpretation

3.1
Group

Net asset valuation

Net asset value computation	
As at 31 December 2023 LKR' 000	
Total assets	195,776,900
Total liabilities	65,944,774
Net asset value	**129,832,126**
(-) NCI component	(722,731)
Net asset value excluding NCI	**129,109,396**

Source: Management, KPMG analysis

Total assets	
As at 31 December 2023 LKR '000	
Non-current assets	
Property, plant and equipment	10,793,773
Right-of-use assets	23,052,357
Intangible assets	37,407,672
Investment in an associate and JVs	471,020
Other financial assets	16,701
Deferred income tax assets	2,361,693
Total non-current assets	74,103,216
Current assets	
Inventories	270,944
Trade and other receivables	50,256,527
Prepayments and other assets	8,276,724
Other financial assets	1,523,090
Income tax recoverable	2,943,110
Cash and cash equivalent	58,403,289
Total current assets	121,673,684
Total assets	**195,776,900**

Source: Management, KPMG analysis

Total liabilities	
As at 31 December 2023 LKR '000	
Non-current liabilities	
Financing and lease payables	23,817,319
Deferred income tax liabilities	17,278
Retirement benefit obligation	1,164,255
Total non-current liabilities	**24,998,852**
Current liabilities	
Financing and lease payables	11,136,957
Trade and other payables	29,020,105
Income tax liabilities	788,860
Total current liabilities	**40,945,922**
Total liabilities	**65,944,774**

Source: Management, KPMG analysis

Adjusted NAV summary

- Management financial statements as of 31 December 2023 formed the basis of the NAV valuation.
- The carrying value of the Non-Controlling Interest as of 31 December 2023 was adjusted to the NAV to represent the net asset value excluding NCI.
- Accordingly, the Valuation using the NAV approach as of 31 December 2023 is LKR 129.1 Bn.

Sum of the parts valuation

SOTP summary			
As at 31 December 2023			
LKR '000	**Min**	**Base**	**Max**
SOTP			
NAV	6,336,844	6,336,844	6,336,844
Less: Investments at carrying value			
Investment in subsidiaries	(4,555,482)	(4,555,482)	(4,555,482)
Equity value excluding investments	**1,781,362**	**1,781,362**	**1,781,362**
Add: Investments at fair value			
Investment in subsidiaries			
Logistics	220,358,113	258,329,181	318,404,495
Leisure	4,377,532	4,594,027	4,848,024
Investments	3,017,716	3,017,716	3,017,716
Equity value (LKR '000)	**229,534,723**	**267,722,286**	**328,051,596**

Source: Management, KPMG analysis

SOTP conclusion

– The table alongside shows the Equity Value range for EXPO as of the Valuation Date, arrived at under a Sum-of-the-Parts (“SOTP’) basis.

– The NAV of EXPO as of 31 December 2023 was LKR 6.3 Bn.

– Under the SOTP approach the carrying value of the investment in subsidiaries was eliminated from the NAV and it was replaced by the fair value of the investments in subsidiaries.

– A combination of discounted cash flow methodology (“DCF”) and net asset value methodology (“NAV”) were considered in arriving at the value of the logistics, leisure and investment sectors based on the projected cash flows provided by the management.

– The Valuation has been carried out utilizing the audited and non-audited financial statements as provided by Management. The business plan provided by the Company was referred to, where applicable.

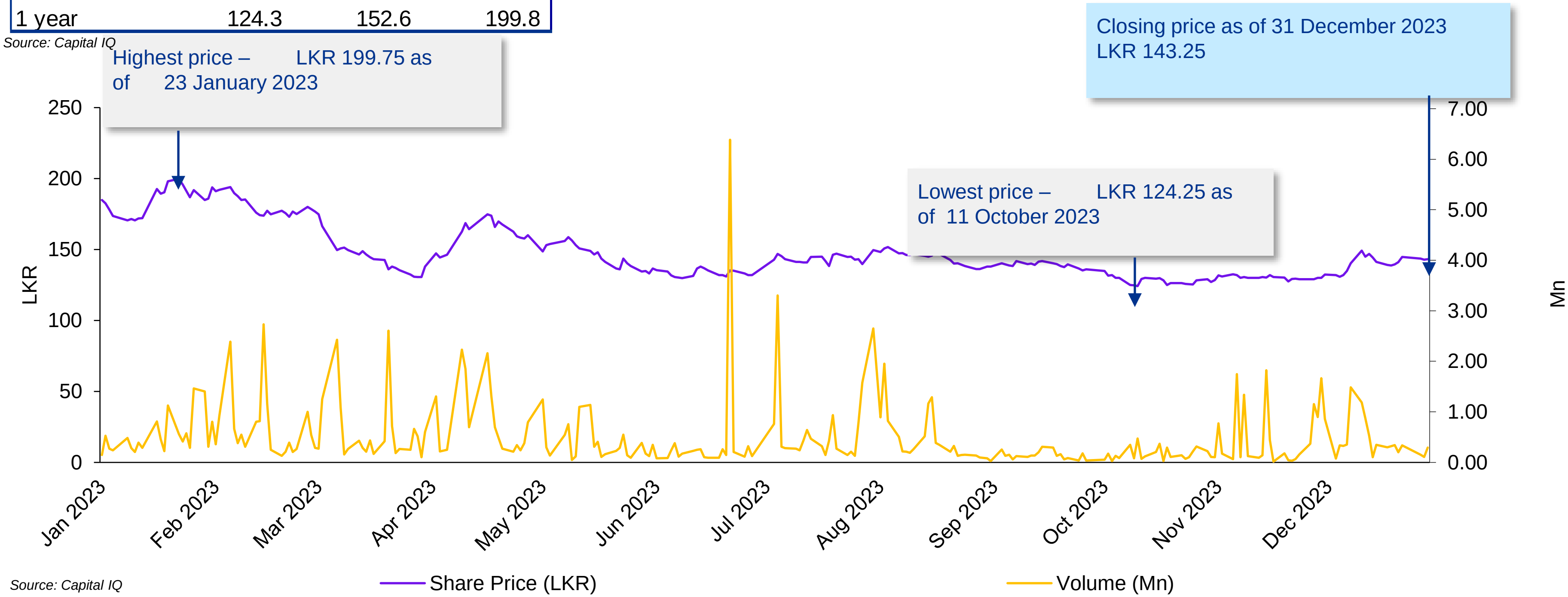
– Accordingly, based on the scope of our review and subject to assumptions and restrictions as set out later in this report, the estimated equity value based on the SOTP methodology as of the Valuation Date lies within the range of LKR 229.5 Bn and LKR 328.1 Bn.

Group

Share Price and Volume chart

VWAP summary			
In LKR	**Low**	**VWAP**	**High**
3 months	124.3	133.7	149.3
6 months	124.3	139.8	151.8
1 year	124.3	152.6	199.8

Source: Capital IQ



Source: Capital IQ

Key point

– Based on the 3 month, 6 month, and 1 year VWAP we note that the per share value of EXPO is in the range of LKR 133.7 to LKR 152.6.

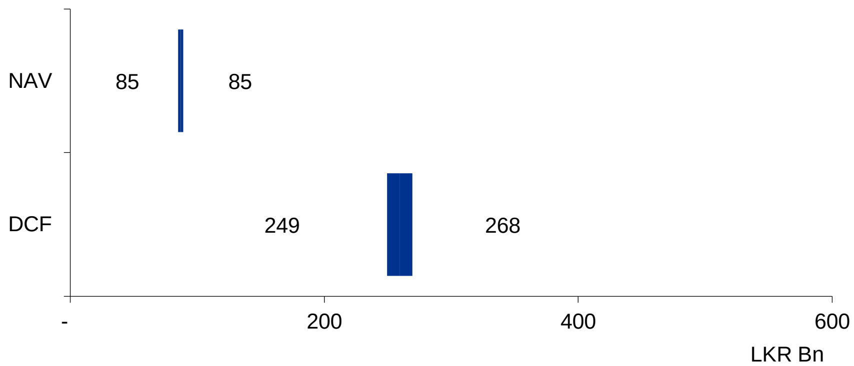
3.2
Logistics

Valuation summary

Valuation summary			
As at 31 December 2023	**Total equity value**		
LKR '000	**Min**	**Base**	**Max**
Absolute valuation methodologies			
DCF	237,421,347	258,329,181	284,549,127
Adjusted NAV	84,939,085	84,939,085	84,939,085
In USD Mn			
DCF	733	797	878
Adjusted NAV	262	262	262

Source: Management, KPMG analysis

Equity value range (LKR Bn)



Source: Management, KPMG analysis

Valuation approach

— The table on the left indicates the valuation summary of the logistics sector under the absolute valuation methodologies applied.

— The DCF value range was determined based on a variation of ±0.25% on the underlying terminal period WACC and terminal growth rate.

— The NAV valuation was based on the Management accounts as of 31 December 2023.

Equity value range

— Based on the scope of our review and subject to assumptions and restrictions as set out later in this report, the estimated equity value of the logistics sector as of the Valuation Date lies within the ranges of;

  – LKR 237.4 Bn to LKR 284.5 Bn as per the DCF methodology;

  – LKR 85.0 Bn based on the NAV methodology.

– Equity value in USD lies within the ranges of;

  – USD 733 Mn to USD 878 Mn based on the DCF methodology,

  – USD 262 Mn based on the NAV methodology.

— The DCF methodology was considered as the primary valuation methodology as it reflects the future performance of the company on a going concern basis.

Discounted cash flow methodology (1/3)

Discounted Cash Flow methodology - FCFF				
As at 31 December 2023 USD Mn	**3M FYE24 Forecast**	**FYE25 Forecast**	**FYE26 Forecast**	**FYE27 Forecast**
Explicit period				
EBIT	(14.5)	(1.5)	30.2	53.7
Tax	-	-	(6.8)	(12.1)
Earnings after tax	**(14.5)**	**(1.5)**	**23.4**	**41.6**
NCI adjustment	0.0	0.2	(0.0)	(0.0)
Depreciation and amortization	7.5	31.1	31.9	32.7
Change in working capital	(0.3)	(7.2)	(12.2)	(14.4)
Capital expenditure	(0.8)	(8.6)	(6.0)	(6.0)
Free cash flow to firm	**(8.1)**	**14.1**	**37.0**	**53.9**
WACC	9.5%	9.5%	8.7%	7.9%
Discount factor	0.98	0.89	0.82	0.76
Discounted FCFF	**(7.9)**	**12.6**	**30.4**	**41.0**
Explicit period value	**76.0**			

Source: Management, KPMG analysis

- Free Cash Flow to the Firm ("FCFF") is used to arrive at the indicative business value and is representative of the cash available to both debt and equity holders after any required reinvestment needs.
- FCFF was discounted using a discount rate of 9.5% in 3ME FYE24F and FYE25F and a discount rate of 8.7% and 7.9% in FYE26F and FYE27F, respectively. The calculation is indicated in the following page of this report.
- CAPEX has been forecasted based on Management projections till FYE27F and in the terminal period we have considered the capex to be 88% of the depreciation.
- Depreciation and amortization have been forecasted on a group level based on the historical average and allocated 93.5% based on the PPE, intangible assets and ROU asset composition of each sector.
- A short-term growth rate of 10.0% for a period of 5 years and a terminal growth rate of 3.5% have been assumed considering the growth prospects of the logistics sector and the Management's strategic initiatives in the future as mentioned in slide 8.
- Refer pages 37- 41 for the key assumptions used in deriving the future cash flow.

Discounted Cash Flow methodology - FCFF	
Terminal period	
EBIT	53.7
Tax	(12.1)
Earnings after tax	**41.6**
NCI adjustment	(0.0)
Depreciation and amortization	32.7
Change in working capital	(14.4)
Capital expenditure	(28.8)
FCFF	**31.1**
Short term growth rate	10.0%
Short term growth period (years)	5.0
Terminal growth rate	3.5%
Terminal cash flow	**841.5**
Terminal period value	**639.9**
Enterprise value	**715.9**
Adjustments	
Other financial assets	1.3
Cash and bank balances	168.6
Tax liability, net	7.0
Deferred tax, net	7.0
Financing and lease payables	(99.5)
Retirement benefit obligation	(2.9)
Amount due to related parties	(0.1)
Total equity value	**797.3**
Exchange rate as of 31 December 2023	324.0
Total equity value in LKR '000	**258,329,181.1**

Source: Management, KPMG analysis

KPMG

Discounted cash flow methodology (2/3)

Sensitivity analysis

- The equity value range of the logistics sector based on DCF, with a variation of ±0.5% on the terminal period WACC and the terminal growth rate as indicated in the table below, lies between USD 680 Mn to USD 983 Mn.
- Accordingly, the equity value range of the logistics sector in LKR lies between,. LKR 220.4 Bn to LKR 318.4.

Sensitivity analysis

in USD Mn		Terminal period WACC				
		7.4%	7.7%	**7.9%**	8.2%	8.4%
	3.0%	805	768	736	707	680
Terminal growth rate	3.3%	841	801	765	**733**	704
	3.5%	882	837	**797**	762	730
	3.8%	929	**878**	833	794	758
	4.0%	983	925	874	830	790

Source: KPMG analysis

Sensitivity analysis

in LKR '000		Terminal period WACC				
		7.4%	7.7%	**7.9%**	8.2%	8.4%
	3.0%	260,660,420	248,971,543	238,467,285	228,976,120	220,358,113
Terminal growth rate	3.3%	272,505,970	259,492,094	247,867,684	**237,421,347**	227,982,505
	3.5%	285,858,757	271,271,218	**258,329,181**	246,768,926	236,380,232
	3.8%	301,025,999	**284,549,127**	270,042,186	257,171,643	245,675,236
	4.0%	318,404,495	299,631,316	283,245,563	268,818,835	256,019,443

Source: KPMG analysis

Terminal Growth rate

- A two-stage growth model was considered to calculate the terminal year cash flows.
- According to the Management, the company has taken several strategic initiatives which will materialize subsequent to the 3 year projections which we have received.
- Therefore, we have considered a short-term growth rate of 10.0% for a 5-year period relying on the benefits which will be realized from EXPO logistics' recent acquisitions and other expansion plans. Please refer slides 13 and 14 for a detailed explanation of the strategic initiatives.
- Subsequent to that period, as we expect the cash flows to normalize, we have considered a terminal growth rate of 3.5% by considering IMF's estimations for the real GDP growth rates globally and in emerging markets.

WACC computation

The WACC was computed considering the below factors:

Risk free rate

- A nominal risk-free rate of 3.9%% for 3ME FYE24F was derived based on the US 10-year treasury bond rate as of 31 December 2023.
- Thereafter, the risk-free rate was gradually reduced to 2.6% by FYE27F, which is the 10- year historical average treasury bond yield rate excluding outliers.

Market risk premium

- We have considered a market risk premium of 4.6% which is the mature market equity premium based on Prof. Damodaran's database.

Discounted cash flow methodology (3/3)

Country risk premium

- A country risk premium of 0.6% has been considered in 3ME FYE 24 and FYE 25 by considering a weighted average of the country risk premiums on the countries which the management expects the company to generate their revenues in the future. The country risk premium for each of those countries have been arrived based on Prof. Damodaran's database.
- Thereafter, the country risk premium was gradually reduced to 0.4% by FYE 27 which is the weighted average of the rating-based default spread of the above countries as per Prof. Damodaran's database using the same weightages mentioned above.

Unlevered beta

- Unlevered beta value of 0.81 has been extracted from Prof. Damodaran's beta calculation for US companies, transportation sector. The beta was adjusted (levered) to reflect the entity's long term capital structure.

Alpha

- Given the nature of the company and considering the risk associated in the projections, we considered an Alpha of 2.0% throughout the forecasted period.

Cost of debt

- The cost of debt has been arrived at by considering the company specific cost of debt which is the Secured Overnight Financing Rate ("SOFR") plus a premium of 1.2%.
- We have considered an SOFR rate of 5.4% which is the rate as at the Valuation Date for 3ME FYE24F and FYE25F, the SOFR is then expected to reduce to 2.9% based on the historical average.
- The 4-year historical average debt-to-equity ratio of the logistic sector which is 43.3% was considered as the capital structure in the WACC computation.

Weighted average cost of capital (WACC)

As at	3ME FYE24	FYE25	FYE26	FYE27 - TV
Cost of equity (Ke)				
Risk free rate	3.9%	3.9%	3.2%	2.6%
Country risk premium	0.6%	0.6%	0.5%	0.4%
Market risk premium	4.6%	4.6%	4.6%	4.6%
Unlevered beta ($ß_u$)	0.81	0.81	0.81	0.81
Levered beta ($ß_{lev}$)	1.08	1.08	1.08	1.08
Company specific risk premium	2.0%	2.0%	2.0%	2.0%
Cost of equity	**11.5%**	**11.5%**	**10.7%**	**10.0%**
Cost of debt (Kd)				
SOFR	5.4%	5.4%	4.1%	2.9%
Premium	1.2%	1.2%	1.2%	1.2%
Tax rate*	22.5%	22.5%	22.5%	22.5%
Cost of debt	**5.1%**	**5.1%**	**4.1%**	**3.1%**
Capital structure				
Debt / equity	43.3%	43.3%	43.3%	43.3%
Equity	69.8%	69.8%	69.8%	69.8%
Debt	30.2%	30.2%	30.2%	30.2%
WACC	**9.5%**	**9.5%**	**8.7%**	**7.9%**

Source: Prof. Aswath Damodaran estimates, US department of treasury, Management, KPMG analysis

Net asset valuation

NAV attributable to shareholders	
As at 31 December 2023	
LKR '000	
Total assets	150,692,321
Total liabilities	65,046,387
Net asset value	**85,645,935**
(-) NCI component	(706,850)
Net asset value excluding NCI	**84,939,085**

Source: Management, KPMG analysis

Total assets	
As at 31 December 2023	
LKR '000	
Non-current assets	
Property, plant and equipment	10,096,759
Right-of-use assets	22,773,528
Intangible assets	853,795
Other financial assets	16,701
Deferred income tax assets	2,275,304
Total non-current assets	36,016,087
Current assets	
Inventories	39,894
Trade and other receivables	48,875,552
Prepayments and other assets	7,794,380
Other financial assets	2,928,084
Income tax recoverable	419,121
Cash and cash equivalent	54,619,203
Total current assets	114,676,234
Total assets	**150,692,321**

Source: Management, KPMG analysis

Total liabilities	
As at 31 December 2023	
LKR '000	
Non-current liabilities	
Financing and lease payables	21,732,354
Deferred income tax liabilities	13,217
Retirement benefit obligation	954,243
Total non-current liabilities	**22,699,814**
Current liabilities	
Financing and lease payables	10,515,659
Trade and other payables	31,146,049
Income tax liabilities	644,228
Amounts due to related parties	40,637
Total current liabilities	**42,346,573**
Total liabilities	**65,046,387**

Source: Management, KPMG analysis

Adjusted NAV summary

– Management financial statements as of 31 December 2023 formed the basis of the NAV valuation.

– The carrying value of the Non-Controlling Interest as of 31 December 2023 was adjusted to the NAV to represent the net asset value excluding NCI.

– Accordingly, the Valuation using the NAV as of 31 December 2023 is LKR 85.0 Bn.

3.3
Leisure

Valuation summary

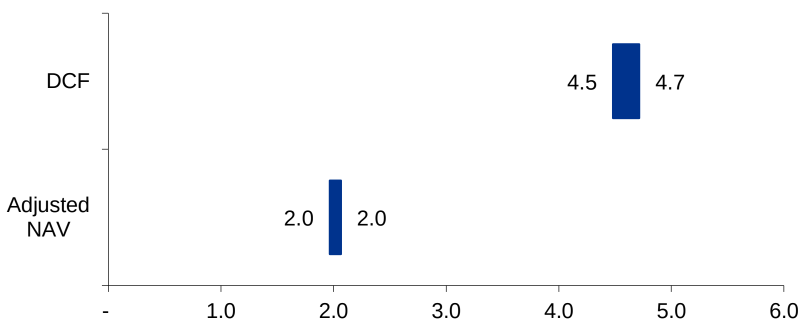
Valuation summary			
As at 31 December 2023	Total equity value		
LKR '000	Min	Base	Max
Absolute valuation methodologies			
DCF	4,481,631	4,594,027	4,715,754
Net asset value excluding NCI	1,965,404	1,965,404	1,965,404

Source: Management, KPMG analysis

Valuation approach

- The table on the left indicates the valuation summary of the leisure sector under the absolute valuation methodologies applied.
- The DCF value range was determined based on a variation of ±0.25% on the underlying terminal period WACC and terminal growth rate.
- The NAV valuation was based on the Management accounts as of 31 December 2023.

Equity value range (LKR Bn)



Source: Management, KPMG analysis

Equity value range

- Based on the scope of our review and subject to assumptions and restrictions as set out later in this report, the estimated equity value of the leisure sector as of the Valuation Date lies within the ranges of;
  - LKR 4.48 Bn to LKR 4.72 Bn as per the DCF methodology;
  - LKR 1.97 Bn based on the NAV methodology.
- The DCF methodology was considered as the primary valuation methodology as it reflects the future performance of the company on a going concern basis.

Discounted cash flow methodology (1/3)

Discounted Cash Flow methodology					
As at 31 December 2023 **LKR'000 (unless otherwise stated)**	**3M FYE24 Forecast**	**FYE25 Forecast**	**FYE26 Forecast**	**FYE27 Forecast**	**Terminal period**
EBIT	82,347	960,432	723,270	736,240	736,240
Tax	(18,486)	(319,826)	(159,119)	(161,973)	(161,973)
Earnings after tax	**63,861**	**640,605**	**564,151**	**574,267**	**574,267**
Depreciation and amortization	11,672	44,868	46,022	47,178	47,178
Change in working capital	381,556	(91,209)	428,915	(23,348)	(23,348)
Capital expenditure	(1,000)	(59,484)	(41,900)	(41,991)	(47,178)
Free cash flow to firm	**456,089**	**534,780**	**997,187**	**556,106**	**550,919**
WACC	18.0%	17.4%	15.7%	14.5%	14.5%
Terminal growth rate					2.0%
Discount factor	0.96	0.82	0.71	0.62	0.62
Discounted FCFF	**437,602**	**437,115**	**704,559**	**343,019**	**2,762,746**
Enterprise value	**4,685,040**				
Adjustments					
Other financial assets	107,473				
Cash and bank balances	547,566				
Deferred tax, net	86,390				
Financing and lease payables	(582,296)				
Retirement benefit obligation	(108,492)				
Tax liability, net	(139,953)				
Amounts due to related parties	(1,700)				
Total equity value	**4,594,027**				

Source: Management, KPMG analysis

DCF summary

- Free Cash Flow to the Firm ("FCFF") is used to arrive at the indicative business value and is representative of the cash available to both debt and equity holders after any required reinvestment needs.
- FCFF was discounted using a progressive discount rate and the calculation is indicated in the following page of this report.
- Depreciation and amortization has been forecasted on a group level and has been allocated to sectors based on PPE proportions.
- CAPEX has been forecasted based on Management projections.
- Working capital has been based on Management expectation of the change in customer mix and product type based on current trends and industry experience.
- A terminal growth rate of 2.0% has been assumed during the terminal period considering discussions held with Management on the growth of the sector, IMF long-term GDP growth forecast, growth prospects of the leisure sector and its position in the industry.

Discounted cash flow methodology (2/3)

Sensitivity analysis

– The equity value range of the leisure sector based on DCF, with a variation of ±0.5% on the terminal period WACC and the terminal growth rate as indicated in the table on the right, lies between LKR 4.38 Bn to LKR 4.85 Bn.

WACC computation	3ME FYE24	FYE25	FYE26	FYE27 - TV
Risk free rate	13.1%	13.1%	12.0%	10.8%
Market risk premium	7.5%	7.5%	5.0%	5.0%
Unlevered beta (ß)	0.60	0.60	0.60	0.60
Relevered beta	0.85	0.81	0.85	0.85
Alpha	3.0%	3.0%	3.0%	3.0%
Ke	**22.4%**	**22.2%**	**19.2%**	**18.1%**
Kd				
AWPLR	12.1%	12.1%	11.4%	9.9%
Premium	0.0%	0.0%	0.0%	0.0%
	12.1%	12.1%	11.4%	9.9%
Tax rate*	22.4%	33.3%	22.0%	22.0%
Kd(1-t)	**9.4%**	**8.1%**	**8.9%**	**7.7%**
Funding mix				
D/E	51.7%	51.7%	51.7%	51.7%
Equity	65.9%	65.9%	65.9%	65.9%
Debt	34.1%	34.1%	34.1%	34.1%
WACC	**18.0%**	**17.4%**	**15.7%**	**14.5%**

*The effective tax rate has been applied for WACC calculation purposes.
Source: Prof. Aswath Damodaran estimates, CBSL, Management, KPMG analysis

Sensitivity analysis		Terminal period WACC				
in LKR '000		14.0%	14.3%	**14.5%**	14.8%	15.0%
Terminal growth rate	2.5%	4,848,024	4,784,088	4,722,807	4,664,017	4,607,570
	2.3%	4,776,886	**4,715,754**	4,657,108	4,600,799	4,546,690
	2.0%	4,708,702	4,650,199	**4,594,027**	4,540,051	4,488,143
	1.8%	4,643,290	4,587,256	4,533,412	**4,481,631**	4,431,798
	1.5%	4,580,485	4,526,773	4,475,119	4,425,408	4,377,532

Source: KPMG analysis

WACC computation

– The WACC was computed considering the below factors:.

Risk free rate

– A nominal risk-free rate of 13.1% for 3ME FYE24F was derived with reference to the 10-year treasury bond rate for the week ending 29 December 2023 according to the Central Bank of Sri Lanka (“CBSL”).

– Thereafter, the risk-free rate was reduced gradually to 10.8% by FYE27F, being the historical average 10-year treasury bond yield rate (from March 2016 to March 2021).

Market risk premium

– Based on current market conditions in Sri Lanka, we have applied a market risk premium of 7.5% to persist up to FYE25F and 5.0% thereafter to appropriately reflect the additional expected return an investor demands to hold equities of average risk over a risk-free investment.

Discounted cash flow methodology (3/3)

Unlevered beta

– Unlevered beta value of 0.60 has been extracted from "Aswath Damodaran" beta calculation for Emerging markets Hotel/Gaming industry sector which was observed to be in line with leisure sector peer beta. The beta was adjusted (levered) to reflect the entity's long term capital structure.

Alpha

– Given the nature of the company and considering the risk associated in the projections, we considered an Alpha of 3.0% throughout the forecasted period.

Cost of debt

– Cost of debt of 12.1% for 3ME FYE24 was derived with reference to the Average Weighted Prime Lending Rate ("AWPLR") for the week ending 29 December 2023 according to the CBSL.

– Thereafter, the cost of debt was reduced gradually to 9.9% by FYE27F, being the historical average 10-year AWPLR (from March 2016 to March 2022).

– The resulting total cost of debt has been adjusted to the respective corporate tax rate applicable under the current tax regime.

Net asset valuation

NAV attributable to shareholders	
As of 31 December 2023	
LKR '000	
Total assets	3,185,647
Total liabilities	(1,204,362)
Net asset value	**1,981,284**
(-) NCI component	(15,880)
Net asset value excluding NCI	**1,965,404**

Source: Management, KPMG analysis

Total assets	
As of 31 December 2023	
LKR '000	
Non-current assets	
Property, plant and equipment	48,520
Right-of-use assets	98,126
Intangible assets	9,954
Deferred tax assets	86,390
Total non-current assets	**242,989**
Current assets	
Trade and other receivables	1,968,072
Prepayments and other assets	319,370
Other financial assets	107,473
Income tax recoverable	178
Cash and bank balances	547,566
Total current assets	**2,942,658**
Total assets	**3,185,647**

Source: Management, KPMG analysis

Total liabilities	
As of 31 December 2023	
LKR '000	
Non-current liabilities	
Financing and lease payables	71,918
Retirement benefit obligation	108,492
Total non-current liabilities	**180,410**
Current liabilities	
Financing and lease payables	510,378
Trade and other payables	371,744
Income tax liabilities	140,130
Amounts due to related parties	1,700
Total current liabilities	**1,023,952**
Total liabilities	**1,204,362**

Source: Management, KPMG analysis

Adjusted NAV summary

- Management financial statements as of 31 December 2023 formed the basis of the NAV valuation.
- The carrying value of the Non-Controlling Interest as of 31 December 2023 was adjusted to the NAV to represent the net asset value excluding NCI.
- Accordingly, the Valuation using the Adjusted NAV as of 31 December 2023 is LKR 1.97 Bn.

3.4 Investments

Net asset valuation

Net Asset Value	
As of 31 December 2023	
LKR '000	
Total assets	6,282,694
Total liabilities	(3,264,979)
Net Asset Value	**3,017,716**

Source: Management, KPMG analysis

Total assets	
As of 31 December 2023	
LKR '000	
Non-current assets	
Property, plant and equipment	648,494
Right-of-use assets	180,703
Intangible assets	2,311
Total non-current assets	**831,508**
Current assets	
Inventories	231,049
Trade and other receivables	809,298
Prepayments and other assets	162,974
Other financial assets	996,496
Income tax recoverable	14,848
Cash and bank balances	3,236,521
Total current assets	**5,451,186**
Total assets	**6,282,694**

Source: Management, KPMG analysis

Total liabilities	
As of 31 December 2023	
LKR '000	
Non-current liabilities	
Financing and lease payables	2,013,048
Deferred taxes liabilities	4,061
Retirement benefit obligation	101,520
Total non-current liabilities	**2,118,628**
Current liabilities	
Financing and lease payables	420,920
Trade and other payables	713,475
Income tax liabilities	4,501
Amounts due to related parties	7,454
Total current liabilities	**1,146,350**
Total liabilities	**3,264,979**

Source: Management, KPMG analysis

NAV summary

– Management financial statements as of 31 December 2023 formed the basis of the NAV valuation.

– Accordingly, the Valuation using the NAV as of 31 December 2023 is LKR 3.02 Bn.

4.0
Key assumptions

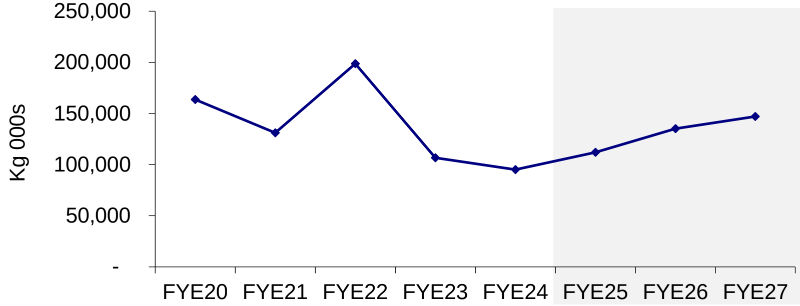
4.1 Logistics

Key assumptions

Logistics (1/2)

Air freight

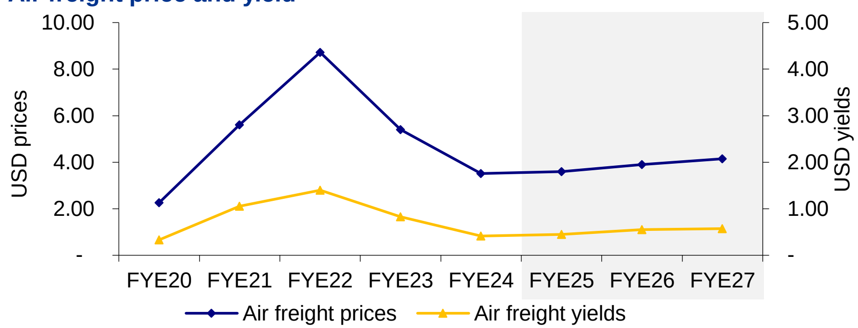
Air freight volumes



Source: Management, KPMG analysis

– Global air freight volume dipped due to the pandemic in FYE20 and FYE21, however had a significant increase in FYE22 as covid restrictions eased off. It has normalized in FYE23 and is projected to gradually increase and reach pre-covid volumes.

Air freight price and yield

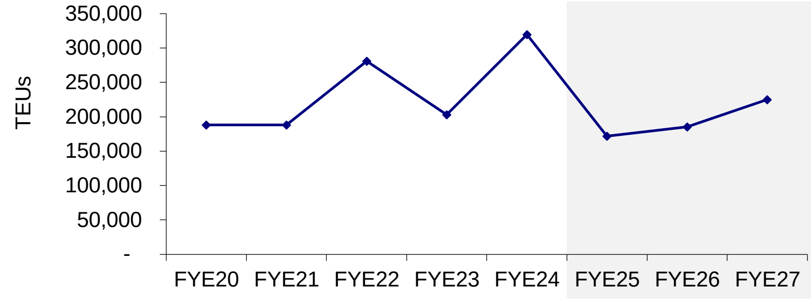


Source: Management, KPMG analysis

– Air freight prices experienced a hike in FYE22 as a result of heightened air freight demand, and restricted capacity. It is projected to return to historical averages in FYE24 and increase as global consumption is forecasted to increase.

Ocean freight

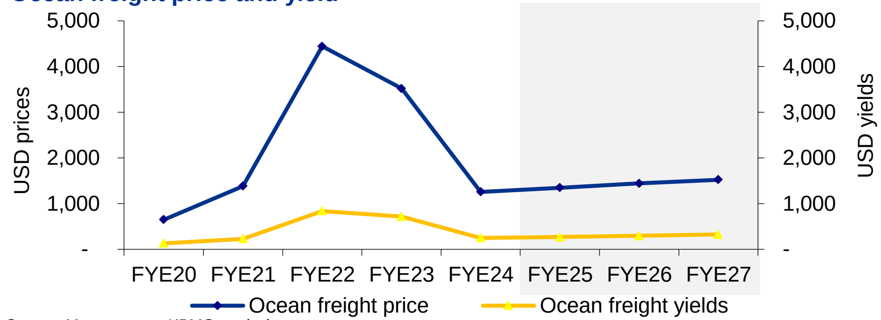
Ocean freight volumes



Source: Management, KPMG analysis

– Ocean freight demand is expected to reach 320,000 TEUs by the end of FYE24 based on the current performance up to quarter 4. It is expected to normalize to pre covid levels gradually from FYE25 onwards and increase thereafter as global demand is projected to increase.

Ocean freight price and yield



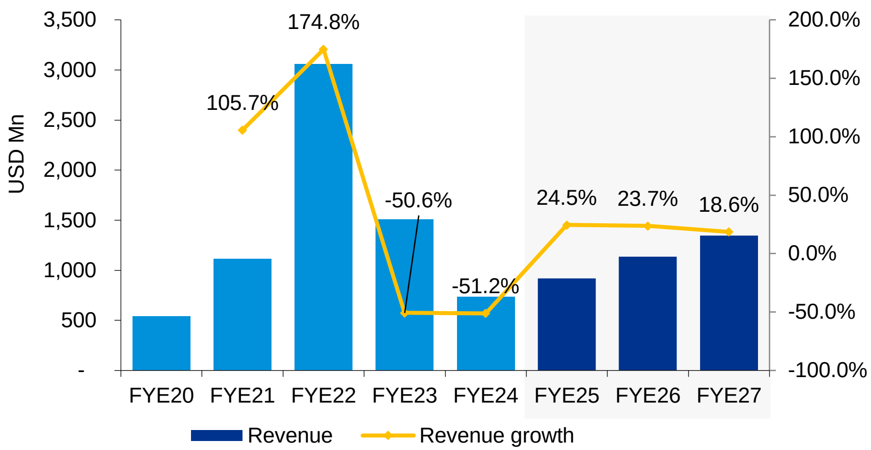
Source: Management, KPMG analysis

– Ocean freight prices surged in FYE22 due to excess demand and the limited supply subsequent to the Suez canal crisis and port congestions in key US ports. It is expected to normalize in FYE24 and be in line with historical averages.

Key assumptions

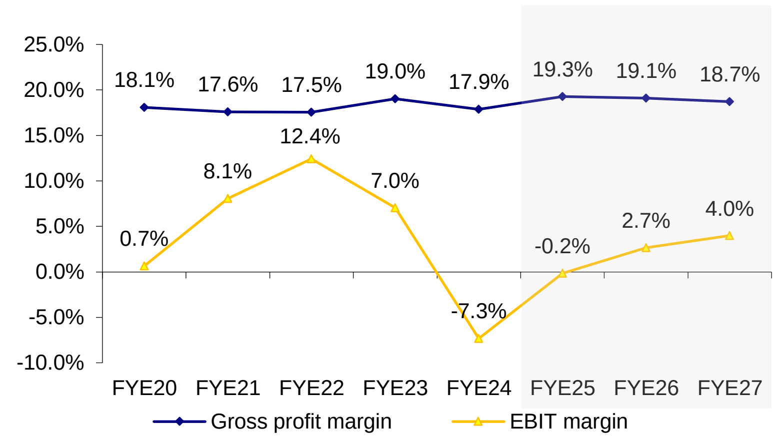
Logistics (2/2)

Revenue growth



Source: Management, KPMG analysis

Profitability margins



Source: Management, KPMG analysis

- Logistics revenue comprises of revenue from air freight, ocean freight and other logistic services such as warehousing, trucking, brokerage and other forwarding services. In FYE24, air freight is expected to contribute 45.0% to revenue, followed by 26.0% from ocean freight and 29.0% from other logistic services.
- The revenue growth in FYE21 and FYE 22 was predominantly driven by the hike in the freight rates due to the demand and supply disruptions during the Covid-19 impact.
- In FYE23, the spillover impact of retail overstocking that occurred during the previous year and the normalization of air and ocean freight rates with increased flight frequencies and reintroduction of routes resulted in a decline in revenue.
- Going forward, the Management projects revenue to grow in the range of 18.6% to 24.5% with EFL's new acquisitions in Locher Evers International (LEI) and Trans America Custom Brokers Group and the new strategic initiatives mentioned in slide 13-14

- Historically, the gross profit margin ranged from 17.5% to 19.0% and the Management expects the gross profit margin to remain at a similar range of 18.7% to 19.3% in the forecasted period.
- The significant growth in the EBIT margin in FYE22 was resultant from the topline increase due to COVID-19, the implementation of smart procurement strategies, close relationship-building with partners, having a lean operating model, and increased efficiency in operations.
- Subsequently, the increase in administration expenses with the new acquisitions and variable pay schemes negatively impacted EBIT margins. Further, professional fees on M&A related due diligence costs which was incurred during the 12 months in 2023 affected the EBIT margins to drop.
- However, Management expects the EBIT margins in the forecasted period to gradually increase to 4.0% with the improved efficiencies in the US market and the optimization of infrastructure facilities.

Working capital – logistics sector

Working capital days				
Days	**FYE24**	**FYE25**	**FYE26**	**FYE27**
Inventory days	0	0	0	0
Trade receivable days	75	65	60	55
Prepayment days	15	12	10	10
Trade payable days	58	50	45	40

Source: Management, KPMG analysis

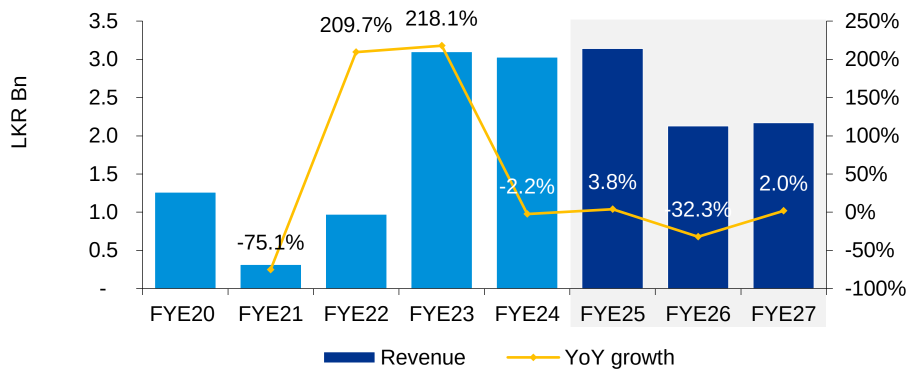
- Working capital days have been forecasted by analyzing the nature of transactions with trade receivables and trade payables, historic movement and Management expectations.
  - **Inventory days -** The inventory days in the forecasted period are estimated to be zero same as the historical days.
  - **Trade receivable days –** Trade receivable days as of 31st March 2024 are estimated to be the same as the historical trade receivable days as of 31 December 2023 which is 75 days, and as per the Management it is expected to reduce to 55 days by FYE27F.with the implementation of a receivable financial solution.
  - **Prepayment days** – Prepayment days as of 31st March 2024 are estimated to be the same as the historical trade payment days as of 31 December 2023 which is 15 days, and it is expected to reduce to 10 days by FYE27F which is the 3-year historical average.
  - **Trade payable days** – Trade payable days as of 31st March 2024 are estimated to be the same as the historical prepayment days as of 31 December 2023 which is 58 days, and it is expected to reduce to 40 days by FYE27F which is the 3-year historical average

4.2
Leisure

Key assumptions

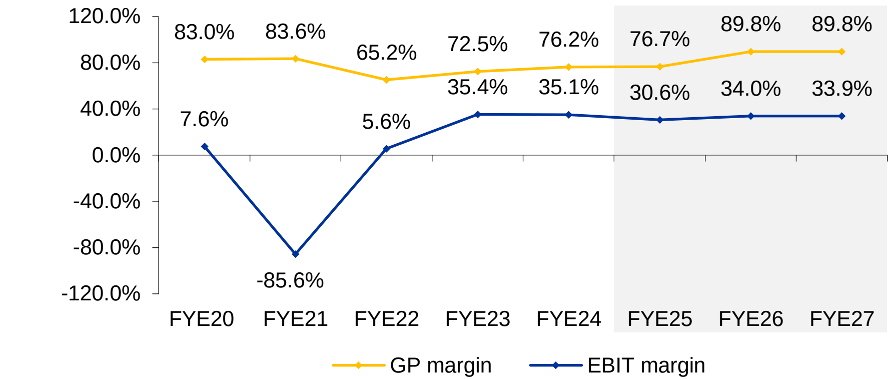
Leisure

Revenue



Source: Management, KPMG analysis

Profitability margins



Source: Management, KPMG analysis

- Leisure revenue comprises of revenue through corporate travel, outbound leisure, inbound, and value-added services including VISA and insurance.
- Historically corporate travel contributed to approximately 83% of total revenue while outbound leisure contributed to 4%.
- Rebounding from the COVID-19 impact in FYE21, this segment witnessed a revenue growth of 209.7% in FYE22 due to the increase in air ticket rates and consumers opting to engage travel agents due to tedious COVID-19 related travel restrictions that were in place.
- Further, in FYE23 a 218.1% revenue growth had been witnessed with revival of outbound international travel, resuming of MICE travel, and growth opportunities in outbound student travel and emigrant travelers during the Sri Lanka economic crisis in 2022.
- Going forward, Management projects revenue to decline in FYE26 with the expectation of air ticket prices to normalize from the record high air ticket prices reached during FYE22 to FYE23 based on their assessment of current trends and industry outlook.

Source: Management, KPMG analysis

- A reduced level of gross profit margins were witnessed from FYE21 onwards as a result of the focused effort to increase revenue from inbound and value-added services which have a relatively lower margin. Going forward, the Management expects to focus more on outbound services to gradually improve forecasted gross margins.
- Subsequent to the topline decline due to COVID-19, EBIT margins recovered from negative 85.6% in FYE21 to 35.4% in FYE23 as a result of the significant growth in topline during the period.
- Going forward, EBIT margin is expected to range between 30.6% to 33.9% during the forecast period backed by the initiatives taken to improve procurement,, reduction in variable pay.

Working capital – leisure sector

Working capital days				
days	**FYE24F**	**FYE25F**	**FYE26F**	**FYE27F**
Trade receivable days*	212	212	212	212
Trade payable days	242	242	242	242
Prepayment days	129	129	129	129

**Trade receivable days have been calculated based on Net Revenue*
Source: Management, KPMG analysis

- **Trade receivable days** have been forecasted based on the three-year historic average (FYE23 – 9M FYE24F) based on net revenue. However, it should be noted that on a gross revenue basis, as per Management, actual debtor days range between 30 to 50 days.
- **Trade payables** were noted to be settled subsequent to trade receivables based on historic trend.
- **Prepayment days** noted to be working capital in nature has been forecasted based on the three-year historic average (FYE23 – 9M FYE24F) based on cost of sales.

5.0 Appendices

5.1

Financial statements

Statement of comprehensive income - EXPO

Statement of comprehensive income					
Financial period ended	**FYE20**	**FYE21**	**FYE22**	**FYE23**	**9ME Dec 23**
LKR'000	**Audited**	**Audited**	**Audited**	**Audited**	**Mgmt**
Revenue from contracts with customers	103,245,671	218,735,345	694,157,421	546,400,881	183,924,911
Cost of sales	(84,062,988)	(180,304,428)	(572,249,262)	(441,132,033)	(149,652,633)
Gross profit	**19,182,683**	**38,430,917**	**121,908,158**	**105,268,848**	**34,272,278**
Other operating income and gains	421,151	329,974	7,474,873	3,791,517	1,153,226
Selling and distribution expenses	(1,216,362)	(1,432,648)	(2,796,763)	(5,633,892)	(3,260,640)
Administrative expenses	(17,766,234)	(20,497,654)	(39,932,917)	(63,910,367)	(43,798,034)
Operating profit	**621,238**	**16,830,589**	**86,653,351**	**39,516,105**	**(11,633,170)**
Finance costs	(455,322)	(367,261)	(1,262,725)	(1,759,722)	(1,203,715)
Finance income	83,043	59,326	87,975	702,829	1,742,405
Share of result of equity accounted investees (net of tax)	31,143	62,293	116,357	56,372	61,335
Profit before tax	**280,102**	**16,584,947**	**85,594,958**	**38,515,583**	**(11,033,144)**
Income tax expense	(718,038)	(1,704,928)	(12,803,237)	(7,465,424)	(1,320,459)
Profit for the year	**(437,936)**	**14,880,019**	**72,791,721**	**31,050,159**	**(12,353,603)**

Source: Annual reports

Statement of financial position (1/2) - EXPO

Statement of financial position					
As at	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Dec-23**
LKR'000	**Audited**	**Audited**	**Audited**	**Audited**	**Mgmt**
Assets					
Non-current assets					
Property, plant and equipment	3,405,361	3,413,329	5,750,794	9,894,497	10,793,773
Right-of-use assets	3,022,913	3,717,653	10,837,148	14,525,000	23,052,357
Intangible assets	676,971	1,039,413	3,835,126	36,313,014	37,407,672
Investments in subsidiaries	-	-	-	-	-
Investment in an associate and joint ventures	164,273	288,161	392,223	409,685	471,020
Other financial assets	2,622	12,732	18,926	19,654	16,701
Deferred income tax assets	146,784	170,296	347,789	447,126	2,361,693
Prepayments and other assets	308,973	-	-	-	-
Total non-current assets	7,727,896	8,641,584	21,182,005	61,608,976	74,103,216
Current assets					
Inventories	152,465	148,911	291,593	264,556	270,944
Trade and other receivables	18,416,015	49,223,751	213,106,511	67,958,787	50,256,527
Prepayments and other assets	1,677,888	1,869,187	14,258,827	7,769,887	8,276,724
Other financial assets	159,646	342,756	225,983	336,470	1,523,090
Income tax recoverable	457,994	347,370	4,096,563	5,268,380	2,943,110
Cash and cash equivalent	7,156,047	7,610,756	43,192,921	77,781,818	58,403,289
Assets held for sale	274,883	-	-	-	-
Total current assets	28,294,938	59,542,731	275,172,398	159,379,897	121,673,684
Total assets	**36,022,833**	**68,184,315**	**296,354,403**	**220,988,873**	**195,776,900**

Source: Annual reports

Statement of financial position (2/2) - EXPO

Statement of financial position					
As at	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Dec-23**
LKR'000	**Audited**	**Audited**	**Audited**	**Audited**	**Mgmt**
Equity and liabilities					
Equity					
Stated capital	4,097,985	4,097,985	4,097,985	4,097,985	4,097,985
Reserves	940,586	1,614,494	27,986,115	37,986,344	37,334,909
Retained earnings	7,600,459	21,436,679	91,847,724	106,851,259	87,676,502
Equity attributable to equity holders of the parent	12,639,030	27,149,157	123,931,824	148,935,588	129,109,396
Non-controlling interest	191,512	231,435	422,116	693,094	722,731
Total equity	12,830,542	27,380,592	124,353,940	149,628,682	129,832,126
Non-current liabilities					
Financing and lease payables	5,468,962	5,532,779	15,134,574	16,794,614	23,817,319
Deferred income tax liabilities	729	20,929	18,415	94,589	17,278
Retirement benefit obligation	616,995	764,524	929,802	1,068,437	1,164,255
Total non-current liabilities	6,086,686	6,318,231	16,082,791	17,957,641	24,998,852
Current liabilities					
Financing and lease payables	6,726,989	12,854,628	76,996,999	15,062,192	11,136,957
Trade and other payables	10,196,516	20,791,127	64,995,564	33,406,245	29,020,105
Income tax liabilities	182,101	839,737	13,925,109	4,934,113	788,860
Total current liabilities	**17,105,606**	**34,485,492**	**155,917,672**	**53,402,550**	**40,945,922**
Total equity and liabilities	**36,022,833**	**68,184,315**	**296,354,403**	**220,988,873**	**195,776,900**

Source: Annual reports

Forecasted income statement – Logistic sector

Statement of comprehensive income				
Financial period ended	**3ME Mar 24**	**FYE25**	**FYE26**	**FYE27**
USD Mn	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Revenue from contracts with customers	184.6	918.1	1,135.3	1,346.6
Cost of sales	(151.9)	(741.2)	(918.3)	(1,094.3)
Gross profit	**32.7**	**176.8**	**217.0**	**252.3**
Other operating income and gains	0.1	0.4	0.4	0.4
Selling and distribution expenses	(2.6)	(12.2)	(12.2)	(12.6)
Administrative expenses	(44.6)	(166.5)	(175.0)	(186.4)
Operating profit	**(14.5)**	**(1.5)**	**30.2**	**53.7**

Source: Annual reports

Note:

– The Management provided projections only for three years, which is from 3ME March 2024 to FYE March 2027.

– The forecasts for the logistics sector were provided in USD as the cash flows are primarily USD based.

Forecasted income statement – Leisure sector

Statement of profit or loss				
For the year ended	**FYE24**	**FYE25**	**FYE26**	**FYE27**
LKR'000	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Revenue	3,028,633	3,143,194	2,129,067	2,171,649
Cost of sales	(719,632)	(733,372)	(217,434)	(221,783)
Gross profit	**2,309,002**	**2,409,822**	**1,911,634**	**1,949,866**
Other operating income and gains	41,166	51,986	23,240	23,705
Depreciation and amortisation	(46,688)	(44,868)	(46,022)	(47,178)
Overhead	(1,239,565)	(1,456,508)	(1,165,582)	(1,190,153)
Operating profit	**1,063,915**	**960,432**	**723,270**	**736,240**

Source: Annual reports

Note:

– The Management provided projections only for three years, which is from 3ME March 2024 to FYE March 2027.

Forecasted income statement – Investment sector

Statement of profit or loss				
For the year ended	**FYE24**	**FYE25**	**FYE26**	**FYE27**
LKR '000	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Revenue	6,595,151	6,627,527	6,627,527	6,627,527
Cost of sales	(5,635,404)	(5,755,458)	(5,755,458)	(5,755,458)
Gross profit	**959,747**	**872,069**	**872,069**	**872,069**
Other operating income and gains	6,899,683	144,441	30,124	30,124
Depreciation and amortisation	(108,846)	(108,846)	(108,846)	(108,846)
Overhead	(1,220,624)	(1,270,723)	(1,230,447)	(1,230,447)
Operating profit	**6,529,960**	**(363,059)**	**(437,101)**	**(437,101)**
Operating profit excluding other income	**(369,723)**	**(507,500)**	**(467,224)**	**(467,224)**

Source: Annual reports

Note:

- The Management provided projections only for three years, which is from 3ME March 2024 to FYE March 2027.
- As of 31 December 2023, this sector reported a negative EBIT of LKR 403.20 Mn. As per Management expectation, this trend is expected to continue.
- Other operating income and gains include foreign exchange gains(losses) and dividend income received at EXPO level.
- The primary driver for the negative EBIT is the overheads which represent the cost incurred by this sector as a cost center for the group.

5.2 Sources of information

Sources of information

All the following documents and information sources have been considered for this Valuation:

- Annual audited financial statements of Expolanka Holdings PLC for the year ended 2020, 2021 and 2022 and 2023.
- Management's business plan for the period of FYE24F-FYE27F.
- Central Bank of Sri Lanka - https://www.cbsl.gov.lk/
- S&P Capital IQ - https://www.spglobal.com/marketintelligence/en/
- Colombo Stock Exchange - https://www.cse.lk/
- International Monetary Fund - https://www.imf.org/en/Home

5.3 Engagement Team

Our team

Professional academic qualifications

- Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA)

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Shiluka Goonewardene – Engagement Partner

Head of Deal Advisory, KPMG Sri Lanka

PROFESSIONAL EXPERIENCE

- Shiluka is the Principal of the Financial Advisory Services division of KPMG in Sri Lanka. He counts almost 30 years of experience in the spheres of Corporate Finance, Transaction Services, Mergers & Acquisitions and Real Estate Advisory Services and leads a team of 50 professionals and associates.
- Shiluka has served as the Engagement Partner/Director in numerous advisory engagements ranging from business valuations, financial due diligences, private placements, restructuring and mergers for companies in varied industries.
- Shiluka has recently led engagement teams in separate valuation engagements for three listed banking entities in Sri Lanka and a further series of valuations for leasing and financial services sector companies.
- Led engagement teams in the conduct of due diligences for an overseas acquisition of a financial services company in Sri Lanka, a due diligence for an inbound investment into a banking entity in Sri Lanka and advised on the structuring of capital in relation to the setting up of an Insurance company in Sri Lanka.
- Shiluka has carried out transaction and corporate finance related assignments and projects in the United States, United Kingdom, Netherlands, China, Turkey, Algeria, Egypt, Sri Lanka, Bangladesh, Pakistan, Dubai, Iran, India and the Maldives.
- Prior to rejoining KPMG, Shiluka served in the Mergers and Acquisitions Group of a multinational Fortune 500 company in the Middle East for a six year term where he was involved in a number of strategic acquisitions for the group. During his tenure with the group Shiluka was responsible for identifying viable business opportunities, evaluating and advising on due diligence, valuation and transaction structuring, presenting the financial aspects of the business case to the Executive Management and Board, and also involvement in the negotiation and closing process of transactions.
- Led the team that advised in a number of privatizations and restructuring engagements for several key State institutions in Sri Lanka, served as a key resource person in an advisory assignment involving the entry strategy for a multinational oil corporation in its entry to the petroleum and gas market in Sri Lanka and also led the due diligence for the divestment of a multinational financial services entity.
- Serves as a Director of KPMG Sri Lanka's company secretarial and registrar services arm which advises and assists quoted companies, multinationals, inbound investments and newly incorporate companies in corporate secretarial services including liaising with the Colombo Stock; Exchange, Registrar of Companies, Department of Exchange Control and the Board of Investment on requisite areas.

DOMAIN EXPERIENCE

- Motors, Mining & Minerals, Financial Services, Infrastructure & Government, Manufacturing, Industrial Markets, IT, Chemicals, Energy, Consumer Markets, Leisure, Maritime & Freight

Our team

Professional academic qualifications

- Bachelor of Business Administration – Finance (Emphasis) & Accounting (Minor) - University of Wisconsin, USA
- Master of Business Administration – University of Wales

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Dushani Corea -Engagement Director

Director – Deal Advisory, KPMG Sri Lanka

PROFESSIONAL EXPERIENCE

- Lead engagement manager for several sell-side and buy-side advisory clients and counts over sixteen years of experience
- Most recently lead buy-side, sell-side advisory and large capital raise/divestiture engagements in Information Technology, Manufacturing, Logistics, Infrastructure, Consumer, Retail, Leisure, Aviation, Insurance, Banking and Finance, including the successful completion of a sell-side mandate of a tier one private construction company for a transaction value over LKR 20Bn and served as the lead engagement director for the SriLankan Airlines re-orientation program which involved assisting the representatives of GoSL on restructuring and transaction related services while coordinating with several cross functional teams
- Served as the key engagement manager/engagement director to Tata Steel Ltd for the 100% divestment of a local subsidiary in 2015 and 2023.
- Lead a cross functional team that handled one of the largest inward investments into Sri Lanka in 2014. This was the acquisition of a listed logistics company by a strategic investor from Japan.
- Lead the M&A team in the successful sale of a 75% stake in a large Sri Lankan Agriculture company in 2012.
- Functioned as the engagement manager for the successful sale of a 50% stake in a large frozen food manufacturing company in 2011.
- Served as a team leader in the preparation of marketing documents, financial forecasts, financial analysis, market & competitor analysis and assisted in the partner search and identification process, including short listing, contact and bid-evaluation in relation to divestiture advisory services, for leading clients in the industries of manufacturing, leisure , telecommunications and FMCG.
- Functioned as the team member/project manager in the preparation of corporate & business plans inclusive of financial forecasts, financial analysis and competitor analysis for high profile clients in a range of industries including the airport and aviation, manufacturing and retail industries. Functioned as the project manager/team member in the development of key performance indicators, organizational vision and strategies; and enablement of management decisions through business intelligence & analytics.
- Served as project manager in carrying out financial due diligence assignment carried out on a leasing company, which was in an effort to acquire funds by securitizing the lease and hire-purchase portfolio.

DOMAIN EXPERIENCE

- Retail and FMCG, Airport & Aviation, Banking & Finance, Leasing, Logistics, Investment Fund, Telecommunication, Leisure, Manufacturing, Agriculture

KPMG

Document Classification: KPMG Confidential

Our team

Professional academic qualifications

- Associate Member of the Chartered Institute of Management Accountants, UK (ACMA)

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Adil Hisham – Engagement Manager

Senior Manager – Deal Advisory, KPMG Sri Lanka

PROFESSIONAL EXPERIENCE

- Adil counts over ten years of experience in KPMG Sri Lanka, of which he has served more than nine years in the Deal Advisory division. He specializes in business valuation, mergers & acquisitions, financial feasibilities and business restructuring.
- He most recently acted as engagement manager for divestment of Dutch Lanka Trailers by Tata Steel in 2023.
- He has carried out business valuations for companies in Sri Lanka, Maldives and the GCC region covering large listed and privately held conglomerates.
- He was seconded to KPMG Saudi Arabia in order to provide sell side assistance to leading listed company in Saudi in relation to a potential merger with another public listed company.
- He was seconded to KPMG Bahrain and functioned as a senior team member in the financial due diligence of a large listed banking entity in the Middle East. He was responsible to undertake valuations of the investments held by this entity. The underlying transaction was a potential merger between two banking entities with a transaction value of c. USD 7.0 Bn.
- He has carried out detailed financial feasibilities in the hospitality, real estate, manufacturing and plantation industries in Sri Lanka and the Maldives.
- He has carried out a number of market research and business valuations in the Middle East and Maldives.
- He has carried out independent business reviews on the operations of manufacturing companies to identify major constrains and inefficiencies faced by the businesses, providing robust turnaround plans including business plan development, in-depth industry analysis, cash flow projections and liaising with banks to carry out debt restructuring.

DOMAIN EXPERIENCE

- Automobile, Real Estate, Hospitality, Financial Services, Education, Manufacturing, Plantations, Retail, FMCG, ICT, Construction and Agriculture

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