



Tel: +27 11 488 1700  
Web: [www.bdo.co.za](http://www.bdo.co.za)

Physical address  
52 Corlett Drive  
Wanderers Office  
2196

Postal address  
Private Bag X5  
Northlands  
2196

The Independent Board  
Bell Equipment Limited  
13 - 19 Carbonode Cell Road  
Alton  
Richards Bay, 3900

6 August 2024

Dear Sirs/Mesdames

## REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO BELL EQUIPMENT LIMITED REGARDING THE PROPOSED ACQUISITION BY IA BELL AND COMPANY PROPRIETARY LIMITED OF 15.05% OF THE ISSUED ORDINARY SHARE CAPITAL IN BELL EQUIPMENT LIMITED BY WAY OF A SCHEME OF ARRANGEMENT

### Introduction

In terms of the firm intention announcement released on the Stock Exchange News Service ("SENS") of the exchange operated by the JSE Limited ("JSE") jointly by Bell Equipment Limited ("Bell Equipment" or the "Company") and IA Bell and Company Proprietary Limited ("IAB" or the "Offeror") on Monday, 15 July 2024, holders of ordinary shares of no par value in the authorised and issued share capital of Bell Equipment ("Bell Equipment Shares" or "Shares"), ("Bell Equipment Shareholders" or "Shareholders") were advised that, on 12 July 2024 ("Signature Date"), Bell Equipment and the Offeror had entered into a scheme implementation agreement, in terms of which, *inter alia*, the Offeror has given notice to Bell Equipment of its firm intention to make an offer ("IAB Offer") to acquire all of the issued Bell Equipment Shares from Shareholders eligible to participate in the IAB Offer ("Eligible Shareholders"), other than those Bell Equipment Shares:

- already held by IAB being 67 040 093 Bell Equipment Shares representing 70.13% of all of the issued Bell Equipment Shares (excluding 32 233 Shares held by Bell Equipment Group Services Proprietary Limited, a wholly owned Subsidiary of Bell Equipment ("Treasury Shares")); and
- held by certain Shareholders who are related to the founding family of Bell Equipment, and certain third parties (who are regarded as concert parties), as noted in paragraph 6 of the circular to Bell Equipment Shareholders, dated Tuesday, 13 August 2024 in respect of the IAB Offer (the "Circular"), holding between them an aggregate of 14 169 896 Bell Equipment Shares representing 14.82% of all of the issued Bell Equipment Shares (excluding the Treasury Shares) ("Excluded Shareholders").

The IAB Offer will be implemented by way of a scheme of arrangement in terms of section 114 of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act") to be proposed by the board of directors of Bell Equipment ("Board" or "Directors") between Bell Equipment and the Eligible Shareholders (the "Scheme") in terms of which IAB will, if the Scheme becomes operative, acquire all of the Shares held by Shareholders, excluding Excluded Shareholders and IAB and Shareholders who validly exercise the rights afforded to Shareholders in terms of section 164 of the Companies Act ("Appraisal Rights") in relation to the IAB Offer ("Dissenting Shareholders") ("Scheme Participants") ("Scheme Shares").

The consideration payable by IAB to Eligible Shareholders participating in the Scheme shall be an amount of R53.00 per Bell Equipment Share held by Scheme Participants for each Scheme Share ("Scheme Consideration").

If the Scheme is approved, IAB will acquire a total of approximately 14 387 163 Bell Equipment Shares (representing 15.05% of total Bell Equipment Shares, excluding the Treasury Shares) from Scheme Participants.

BDO Corporate Finance (Pty) Ltd  
Registration number: 1983/002903/07  
VAT number: 4250218718

BDO Corporate Finance (Pty) Ltd, a South African company, is an affiliated company of BDO South Africa Inc, a South African company, which in turn is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is an international network of independent public accounting, tax and advisory firms ("the BDO network"), which perform professional services under the name of BDO (BDO is the brand name for the BDO International network and for each of the BDO Member Firms.)

Should the Scheme become operative:

- the Offeror will become the registered and beneficial owner of all the Scheme Shares;
- the Scheme will be implemented and Scheme Participants will receive the Scheme Consideration for each Scheme Share held by them; and
- Bell Equipment Shares will be delisted from the JSE.

The authorised and issued share capital of Bell Equipment as at Friday, 2 August 2024, being the last practicable date prior to finalisation of the Circular (“Last Practicable Date”) is set out below:

<b>Share Capital</b>	
<b>Authorised</b>	
Ordinary shares with no par value	100 000 000
<b>Issued</b>	
Stated capital - ordinary shares with no par value	95 597 152
Treasury shares held	32 233

The material interests of the Directors are set out in section 11 of the Circular and the effect of the Scheme on those interest and persons are set out in this section of the Circular.

Extracts of sections 115 and 164 of the Companies Act are set out in Annexure 4 of the Circular and are incorporated herein by reference for purposes of section 114(3)(g) of the Companies Act.

### **Fair and reasonable opinion required in respect of the Scheme**

The Scheme is an affected transaction as defined in section 117(1)(c) of the Companies Act. In terms of section 114(2) of the Companies Act, as read with Regulations 90 and 110 of the Companies Regulations, 2011 (“Takeover Regulations”), the independent directors of Bell Equipment who have been appointed as the independent board in relation to the Scheme, for purposes of the Companies Act and the Companies Regulations (“Independent Board”) is required to retain an independent expert to provide an independent expert report (in the form of a fair and reasonable opinion) in terms of section 114(3) of the Companies Act and Regulations 90 and 110 of the Takeover Regulations (the “Fair and Reasonable Opinion”).

BDO Corporate Finance Proprietary Limited (“BDO Corporate Finance”) has been appointed as the independent expert by the Independent Board to assess the Scheme and the Scheme Consideration as required in terms of section 114 of the Companies Act and Regulations 90 and 110 of the Takeover Regulations. The Fair and Reasonable Opinion set out herein is provided to the Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion on the Scheme and Scheme Consideration for the benefit of Scheme Participants.

The Independent Board has been appointed to appraise the IAB Offer on behalf of the Board.

### **Responsibility**

Compliance with the Companies Act and the Takeover Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Independent Board on whether the terms and conditions of the Scheme and the Scheme Consideration are fair and reasonable to Scheme Participants.

We confirm that the Fair and Reasonable Opinion has been provided to the Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of Scheme Participants.

### **Definition of the terms “fair” and “reasonable” applicable in the context of the IAB Offer**

The “fairness” of a transaction is based on quantitative issues. A transaction will generally be considered to be fair to a company’s shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

An offer may generally be considered to be fair to shareholders if the offer consideration is equal to or greater than the fair value of an offer share, or not fair if the offer consideration is less than the fair value of an offer share. Furthermore, in terms of regulation 110(8) of the Takeover Regulations, an offer with a consideration per offeree regulated company security within the fair-value range is generally considered to be fair.

The Scheme will be considered fair if the Scheme Consideration is equal to or more than the fair value of a Bell Equipment Share and unfair if the Scheme Consideration is less than the fair value of a Bell Equipment Share.

The assessment of reasonableness of a transaction is generally based on qualitative considerations surrounding an offer. Hence, even though the consideration to be paid in respect of an offer may be lower than the market price, the offer may be considered reasonable after considering other significant qualitative factors. The Scheme may be said to be reasonable if the Scheme Consideration is greater than the market price of a Bell Equipment Share as at the time of announcement of the Scheme, or at some other more appropriate identifiable time.

### Details and sources of information

In arriving at our opinion we have relied upon the following principal sources of information:

- The terms and conditions of the IAB Offer, as set out in the FIA and Circular;
- Audited annual financial statements of Bell Equipment for the years ended 31 December 2021, 2022 and 2023;
- Management accounts of Bell Equipment for the 5-month period ended 31 May 2024;
- Budgets of Bell Equipment for the year ending 31 December 2024;
- Seven-year forecast financial information of Bell Equipment for the years ending 31 December 2024 to 31 December 2031;
- Discussions with executive management of Bell Equipment regarding the historical and forecast financial information of Bell Equipment;
- Discussions with executive management of Bell Equipment on prevailing market, economic, legal and other conditions which may affect underlying value; and
- Publicly available information relating to Bell Equipment that we deemed to be relevant, including company announcements and media articles.

The information above was secured from:

- Executive management of Bell Equipment and their professional advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Bell Equipment.

### Procedures

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors:

- Reviewed the terms and conditions of the IAB Offer;
- Reviewed the financial and other information related to Bell Equipment, as detailed above;
- Reviewed and obtained an understanding from executive management of Bell Equipment as to the forecast financial information of Bell Equipment prepared by management. Considered the forecast cash flows and the basis of the assumptions therein including the prospects of the business of Bell Equipment. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management and we assessed the achievability thereof by considering historical information as well as macro-economic and sector-specific data;
- Compiled forecast cash flows for Bell Equipment by using the forecast financial information as detailed above. Applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow ("DCF") valuation of Bell Equipment;
- Compiled a capitalisation of maintainable earnings valuation of Bell Equipment by using adjusted historical and forecast financial information and applied BDO Corporate Finance's calculated earnings multiples based on market comparables to earnings before interest, taxation, depreciation and amortisation ("EBITDA");

- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience and knowledge of the industrial equipment industry generally;
- Assessed the long-term potential of Bell Equipment;
- Performed a sensitivity analysis on key assumptions included in the valuation;
- Evaluated the relative risks associated with Bell Equipment and the industry in which it operates;
- Reviewed certain publicly available information relating to Bell Equipment and the industrial equipment sector that we deemed relevant, including company announcements and media articles; and
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the industrial equipment sector generally.

### Assumptions

We arrived at our opinion based on the following assumptions:

- That all agreements that are to be entered into in terms of the IAB Offer will be legally enforceable;
- That the IAB Offer will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives of Bell Equipment or their professional advisors; and
- That reliance can be placed on the financial information of Bell Equipment.

### Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Placing reliance on audit reports in the financial statements of Bell Equipment;
- Conducting analytical reviews on the historical financial results and the forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary evidence as well as our understanding of Bell Equipment and the economic environment in which the Company operates.

### Limiting conditions

This opinion is provided in connection with and for the purposes of the IAB Offer. The opinion does not purport to cater for each individual Eligible Shareholder's perspective, but rather that of the general body of Eligible Shareholders.

Individual Eligible Shareholder's decisions regarding the IAB Offer may be influenced by such Eligible Shareholder's particular circumstances and accordingly individual Eligible Shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the IAB Offer.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

We have also assumed that the IAB Offer will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of Bell Equipment and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

### **Independence, competence and fees**

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in Bell Equipment Shares or the IAB Offer, nor have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulation 90(6)(i) and 90(3)(a) of the Takeover Regulations, that we are independent in relation to the IAB Offer and will reasonably be perceived to be independent taking into account other existing relationships and appointments. We also confirm that we have the necessary competence to provide the Fair and Reasonable Opinion and meet the criteria set out in section 114(2)(a) of the Companies Act.

Furthermore, we confirm that our professional fees of R450,000 (excluding VAT) are not contingent upon the success of the IAB Offer. Our fees are not payable in Bell Equipment Shares.

### **Valuation approach**

We performed a valuation of Bell Equipment and a Bell Equipment Share on the basis of “Fair Value”. 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.

The valuation of a Bell Equipment Share has been performed by applying the DCF methodology as the primary valuation methodology and the capitalisation of maintainable earnings methodology as a secondary methodology to support the results of the DCF valuation.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Bell Equipment. Additionally, sensitivity analyses were performed considering key value drivers.

Key internal value drivers to the DCF valuation included unit sales, revenue growth, EBITDA margins, the discount rate (represented by the weighted average cost of capital (“WACC”) and working capital and capital expenditure requirements).

External value drivers, including; key macro-economic parameters and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of Bell Equipment.

Our valuation results are sensitive to revenue growth, sustainable EBITDA margins, capital expenditure, net working capital and the WACC applied in the DCF valuation. We performed a sensitivity analysis on select key assumptions included in the DCF valuation.

The sensitivity analysis was performed by considering the following scenarios:

- increasing and decreasing the terminal growth rate by a maximum of 0.5%;
- increasing and decreasing the WACC by a maximum of 0.5%;
- considering a lower growth scenario together with a lower WACC due to a lower unsystematic risk premium; and
- considering a scenario where the improvements in net working capital ratios are not achieved to the full extent projected by management together with a lower WACC due to a lower unsystematic risk premium.

The sensitivity analysis did not indicate a sufficient effect on the valuation of a Bell Equipment Share to alter our opinion with respect to the IAB Offer and the Scheme Consideration.

### **Valuation results**

In undertaking the valuation exercise above, we have determined a valuation range of R50.83 to R56.54 per Bell Equipment Share, with a most likely value of R53.56 per Bell Equipment Share. The Scheme Consideration of R53.00 is within the suggested fair value range per Bell Equipment Share.

The valuation range above is provided solely in respect of this opinion and should not be used for any other purposes.

**Reasonableness of the offer consideration**

The Scheme Consideration represents an 82.1% premium to the volume weighted average price ("VWAP") of Bell Equipment Shares on the JSE of R29.10 for the 30 days up to the date immediately prior to the Signature Date.

**Opinion**

The Scheme Consideration represents a premium of 71.0% to the closing price of Bell Equipment Shares on the JSE of R31.00, and a premium of 82.1% to the 30-day VWAP per Bell Equipment Share on the JSE up to the date immediately prior to the Signature Date and falls within the suggested range calculated from our valuation. The rationale for the IAB Offer is set out in paragraph 3.3 of the Circular.

BDO Corporate Finance has considered the IAB Offer in respect of the Scheme and Scheme Consideration.

Based upon and subject to the conditions set out herein, BDO Corporate Finance is of the opinion that the IAB Offer and the Scheme Consideration are fair and reasonable to Scheme Participants.

Our opinion is necessarily based upon the information available to us up to the Last Practicable Date, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other Approvals and consents required in connection with the IAB Offer have been fulfilled or waived (where applicable).

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

**Consent**

We hereby consent to the inclusion of this Fair and Reasonable Opinion, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the IAB Offer, in the form and context in which they appear.

Yours faithfully



Nick Lazanakis  
*BDO Corporate Finance*  
Director  
52 Corlett Drive,  
Illovo,  
2196