INITIATION

VALUE RANGE

Ciel Limited

10.21 – 10.74

CIEL (lighter line) SEMDEX market vs price relative

Tuesday, 13 February 2024

Intrinsic Price (m)	10.49
Value Range Low (m)	10.22
Value Range High (m)	10.75
Implied MCAP (m)	17,697
Implied EV (m)	29,627
SEMDEX	CIEL
Year End	30-Jun
Currency	MUR

Business Activity
Conglomerate

Key Metrics	
Close Price MUR (m)	6.90
MCAP MUR	11,644
Net Debt (Cash) (m)	11,930
EV (m)	23,574
52 Wk Hi	7.30
52 Wk Lo	6.00
Key Ratios	
Net Debt / Equity Value %	102%

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The last great global growth opportunities

CIEL Limited (SEMDEX: CIEL) is a Mauritius listed diversified industrial company with a 111-year track record and exposure to the globe's last great growth opportunities, Asia and Africa. CIEL has a diversified international growth portfolio of 25 companies across 6 'clusters' - Textile, Properties, Healthcare, Hotels & Resorts, Finance and Agro. CIEL's geographical footprint spreads across 10 emerging markets in Asia and Africa. CIEL delivered 24.1% y/y revenue growth YE23A fiscal. CIEL EBITDA margins expanded (up 153 bps) to 20.01% and EBITDA grew 34.4% vs. YE22A restated EBITDA. 1Q24A results - CIEL's portfolio asset value (AV) was MUR 23.1bn (~USD500m at date of note) up 8.5% vs. YE23A - Textile and Properties accounted for 48% of AV vs. 52% YE23A, driven by AV growth in Hotels & Resorts.

- Diversified industrial company in six sectors (clusters);
- Investment approach – financially disciplined w/ an ESG focus;
- Revs YE23A +24.1% plus margin expansion, on Covid bounce back;
- ACF EBITDA adj. M% YE23A - Hotels 30%, Finance 31%, Agro 32%.
- Cash & CE 1Q24A at MUR 3.1bn (~US$ 67m at note date).

ACF est. MUR (m)	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS	CPS (diluted)
2024E	36,409	6,205	2,925	1.27	1.27	1.73	1.73
2025E	39,884	7,190	4,131	1.58	1.58	2.45	2.45

Multiples	EV/ Sales	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS	P/ CPS (diluted)
2024E	0.6x	3.8x	8.1x	5.5x	5.5x	4.0x	4.0x
2025E	0.6x	3.3x	5.7x	4.4x	4.4x	2.8x	2.8x

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TABLE OF EXHIBITS

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	1,688	1,688
Implied Intrinsic Price	10.49	10.49
Value Range Low	10.22	10.22
Value Range High	10.75	10.75
OTC	CIEL	
Financial YE	30-Jun	
Reporting Currency	MUR	
NoSh (m)		1,688
NoSh (m) expected dilution (Exp D)		1,688
NoSh (m) full dilution (FD)		1,688

Key Metrics	MUR	adj.
MCAP MUR (m)	11,644	11,644
Net Debt (Cash) (m)	11,930	11,930
EV (m)	23,574	23,574
52 Wk Hi	7.14	7.14
52 Wk Lo	5.70	5.70
Effective Free Float	N/A	N/A

*Key Metrics FCFF adj.	2024E	2025E
CPS MUR (m)	1.73	2.45
CPS (Exp D) MUR (m)	1.73	2.45
CPS (FD) MUR (m)	1.73	2.45
P/CPS	4.0x	2.82
P/CPS (Exp D)	4.0x	2.82
P/CPS (FD)	4.0x	2.82

Investment Case

CIEL Ltd. (SEMDEX: CIEL) is a diversified industrial company with six [6] sectors (clusters) across 10 emerging markets (South Asia and East Africa, two regions that present the last great growth opportunities) and Mauritius. CIEL's diversified portfolio and international geographic footprint open up opportunities in some of the fastest growing regions of the world (South Asia and E. Africa). CIEL's home market, Mauritius (43% of YE23A revs) has a democratic political system, high urbanization and literacy and stable birth rates. The legal system is largely French civil and some English common law. Mauritius is a relatively wealthy island state 2,000 miles off Africa's S.E. Tanzanian and Kenyan coasts and N.E. of Madagascar.

Reputable diversified industrial with 111-year track record – Founded in 1912, CIEL is a well-respected diversified industrial (conglomerate) company, earning over 50% of revs in USD and EUR YE23A. CIEL has stakes in over 25 companies organised in clusters across six sectors - **Textile, Properties, Healthcare, Hotels & Resorts, Finance and Agro (sugar).** The combined asset value of CIEL's portfolio 1Q24A was MUR 23.1bn (USD 500m at note date).

Sustained increase in Group revenues and profitability: CIEL's business delivered 24.1% y/y revenue growth in YE23A, with all six clusters delivering rev growth – Textile (+15% y/y), Properties (+56% y/y), Healthcare (+16% y/y), Hotels & Resorts (+67% y/y) and Finance (+13% y/y). (The Agro cluster is a collection of JVs and associates, it delivered EAT +44% y/y).

High-growth emerging markets: Specifically, CIEL's presence in South Asia (India and Bangladesh) positions it to benefit from strategic supply chain shifts away from China. In addition, Africa represents the last great regional economic growth opportunity. CIEL's well-balanced geographic revenue footprint YE23A, 43% in Mauritius and 57% in fast-growing emerging markets, is a key differentiator.

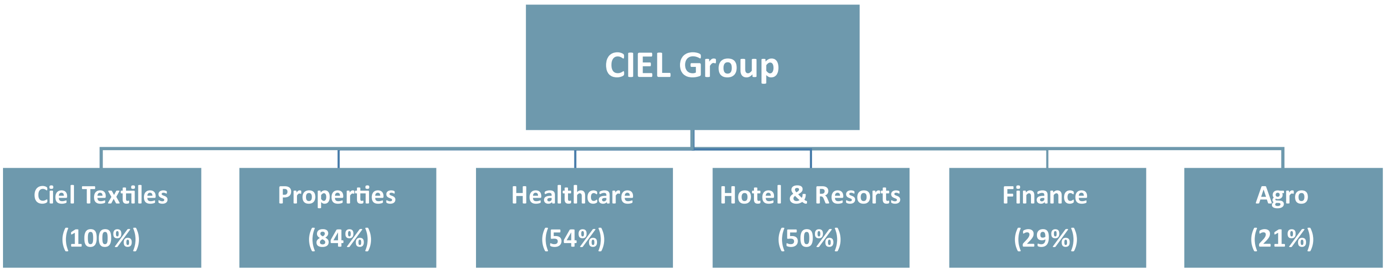
International markets: CIEL's positioning in international markets and strategic segments has led to a nearly 2x increase in the asset valuation of the portfolio since fiscal 2014. CIEL's long-term investment approach underpinned by sector and regional diversification, differentiate it.

Catalysts

Improved usability of financial materials; Dual listing; Simplification of balance sheet; Growth capital equity raise; Re-visit payout ratio to support growth; Entry into new growth segments; Rebound in global growth; Dovish Fed policy.

Operational Strategy

Exhibit 1: **ACF estimates effective % holding (i.e., less minorities)**



Ciel Limited is a 111-year-old operational company with a long history of owning and investing in operating businesses globally. Starting as a Mauritian sugar cane estate operator in 1912, CIEL has since successfully transitioned itself into a global diversified industrial player with operations spanning six sectors (organized in holding clusters) – Textile, Properties, Healthcare, Hotels & Resorts, Finance and Agro. CIEL holds a portfolio of brands under each of its six clusters as shown in the exhibit below.

Exhibit 2: **Portfolio - brands across 6 clusters w/ % contribution to AV**

Asset Value (AV) is different to NAV

Ciel Textile, 29%	Properties, 19%	Healthcare, 17%	Hotels & Resorts, 17%	Finance, 10%	Agro, 8%
Woven	Ciel Properties Development	C-Care Mauritius	**Sunlife**	Bank One	Alteo Limited
Aquarelle	Evolis	C-Care Uganda	Sugar Beach	BNI Madagascar	Miwa Sugar
Laguna	Ferney	C-Lab	La Pirogue	Mitco	
Knits			Long Beach		
Tropic			Ambre		
CDL			**Branded Hotels**		
Knitwear			Four Seasons Mauritius at Anahita		
Floreal			Shangri-La Le Touessrok Resorts & Spa		
FSM			**Anahita Residences & Villas**		

Sources: ACF Equity Research; Company Reports.

FX values MUR / USD at date of note

Whilst CIEL revenues YE23A, according to management, are ~43% derived from the Mauritian economy, it has presence in other countries including South Africa, Madagascar, Kenya, Uganda, Tanzania, India and Bangladesh. At 1Q24 (30 Sep 2023), CIEL's portfolio of assets were valued by CIEL at MUR 23.1bn (USD500m at note date).

The asset valuation is regularly updated by CIEL and is established using a combination of valuation techniques including, NAV, DCF and MCAP, depending on the cluster and % holding.

Chart above - 12m price rel. chart CIEL vs. the S&P 500 and SEMDEX (Mauritius). Lighter (blue) line CIEL; Mid dark (green) line S&P 500; Dark (blue) line SEMDEX (Mauritius).

The largest cluster by asset value (AV) 1Q24A is textiles, accounting for ~29% (down ~3pp vs. YE23A) of the total value of the CIEL portfolio, then Properties at ~19% (down ~1pp vs. YE23A), Healthcare at ~17% (up ~1pp vs. YE23A), Hotels & Resorts at ~17% (up ~3pp vs. YE23A), Finance at ~10% (down ~1pp vs. YE23A) and Agro at 8% (up ~1pp vs. YE23A).

CIEL states that the overall Group strategy is to enhance the value of its portfolio holdings by following a long-term investment approach and maintaining strict financial discipline. Given its presence across six clusters, CIEL has outlined a specific strategy for each cluster.

As part of its investment/growth strategy CIEL has demonstrated repeatedly that it will cut, restructure and sell loss-making assets, quickly (Healthcare in Nigeria, West Africa, Textile and sugar manufacturing sites in Mauritius).

E

CIEL's long-run approach has been to identify an attractive sector and buy into expertise in that sector. This approach leaves it relatively unconstrained, and we expect expansion into new sectors in due course.

Valuation growth strategy - CIEL management states that it intends to build growth based in part on its competitive positioning in East Africa and India. In our assessment there are also opportunities to simplify the investment story and simplify the balance sheet, leading to a reduction in the diversified industrial (conglomerate discount – see below), in turn, markets are more likely to attribute fair value. There are also opportunities to improve cash flow comprehension (visibility), and improve EPS, EBITDA and FCF margins and consistency.

Conglomerate (diversified industrials) discount - Our conglomerate discount applied to our CIEL Group value range is 30%, which is at the high end of the discount distribution. This high conglomerate discount in turn means there is, beyond growth, additional value that could be released above our current value range. International investors are, through experience, concerned by diversified industrial complexity and so apply a discount.

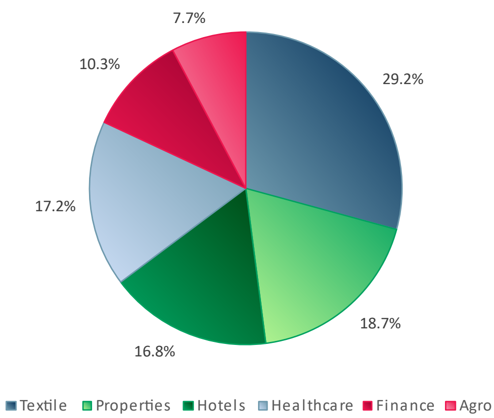
CIEL has moved to annual dividend payouts as of 2022, which is an improvement for a growth business compared to semi-annual dividend payouts.

Payout ratio - Minimum 75% dividend payout ratio at The Company level, which according to management is equivalent to a dividend of 10-15% of earnings after tax (EAT) at the consolidated group level of CIEL Ltd for YE23A. The group level dividend payout ratio YE23A was 23%. In our view, material payout ratios decrease growth opportunities.

Communications – In our experience, there is also significant value to be released at Group level over and above our valuation range by improving the usability of the materials produced for the capital markets, a common problem for many companies, diversified or otherwise. Addressing usability could itself release value through a better and more sustained international investor following.

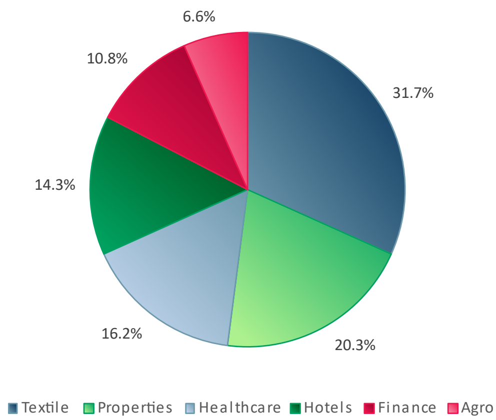
The diversified industrial (conglomerate) discount is used because of the structure of the company and its various holdings in the clusters.

Exhibit 3: **Portfolio 1Q24A MUR 23.1bn**



Sources: ACF Equity Research; Company Reports.

Exhibit 4: **Portfolio YE23A MUR 21.3bn**



Sources: ACF Equity Research; Company Reports.

Note that asset value (AV) is different to NAV, similar to the way in which revenues are different to profits.

Exhibit 5: **Portfolio 1Q24A by Cluster MUR**

AV 1Q24A	% Mix	MUR (m)
Textile	29.2%	6,752
Properties	18.7%	4,324
Hotels	16.8%	3,882
Healthcare	17.2%	3,969
Finance	10.3%	2,380
Agro	7.7%	1,789
Total	**100%**	**23,096**
NAV		21,397
NAVPS		12.66
Delta NAV:AV		-7.36%

Sources: ACF Equity Research; Company Reports.

Exhibit 6: **Portfolio YE23A by Cluster MUR**

AV YE23A	% Mix	MUR (m)
Textile	31.7%	6,752
Properties	20.3%	4,325
Healthcare	16.2%	3,458
Hotels	14.3%	3,050
Finance	10.8%	2,298
Agro	6.6%	1,403
Total	**100%**	**21,286**
NAV		20,895
NAVPS		12.38
Delta NAV:AV		-1.84%

Sources: ACF Equity Research; Company Reports.

Operational Strategy – ESG / Sustainability

Environmental, Social, and Governance (ESG) criteria have become essential for companies in order to attract support from investors, stakeholders, the general public and the media. In 2015 CIEL established a sustainability policy and extended this policy to a sustainability strategy in 2020. CIEL management states that it has published a sustainability report since 2020.

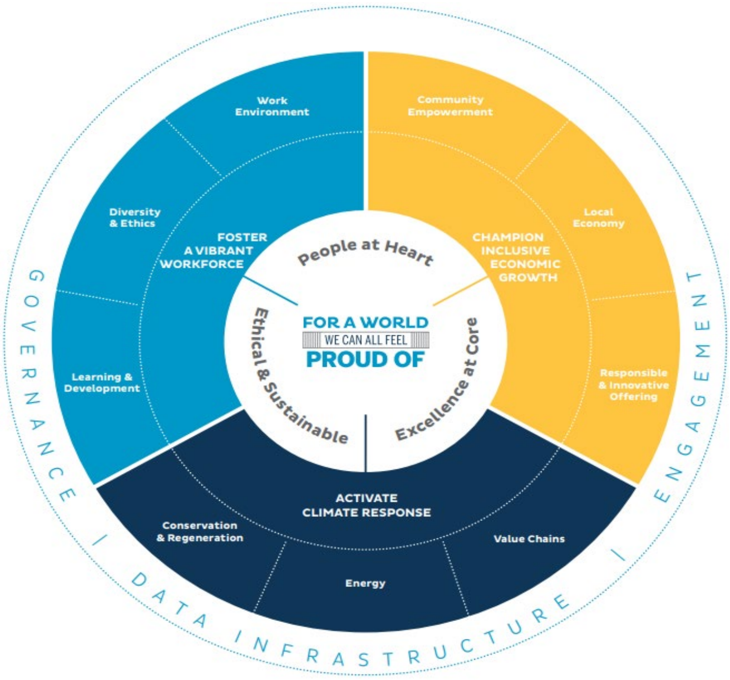
We observed that CIEL is creating a sustainability culture and it is a consistent discussion point with employees throughout the organisation. The messaging flows from the board downwards. This is further evidence of effective CXO leadership.

The CIEL sustainability strategy for 2020-2030 is aligned with the UN SDGs and Paris Agreement and is based on three pillars: Foster a Vibrant Workforce, Activate Climate Response and Champion Inclusive Growth. CIEL stands out because of its approach to sustainability:

- Science Based Targets Initiative (SBTI) / evidence-based;
- Cohesion amongst the clusters and industry benchmarks;
- Distinct conservation and building regeneration projects;
- Via education and training, creating a comprehensive and inclusive sustainability and innovation culture.

Exhibit 7: **CIEL ESG sustainability pillars & strategy**

Public metrics are critical to an effective ESG policy that delivers change. Not publishing metrics for ESG creates corporate opacity risk rather than reducing risk through public accountability. ESG with metrics reduces WACC and so the discount factor for FCFs in an NPV calculation, which in turn leads to a higher valuation by markets, ceteris paribus.



Sources: ACF Equity Research Graphics; Company Reports.

UL 360 is an ESG/sustainable software that serves to capture data for reporting requirements.

The group has recently rolled out a data capturing tool (UL 360), aligned with Global Reporting initiative (GRI) standards. Material implementation is underway in all six clusters. We expect new implementations to allow CIEL to report more accurate/detailed ESG metrics.

Textiles – A Key Valuation Driver

During our verification visit to Mauritius in 2023 it was clear that CIEL's textile factory (Floreal Knitwear at Forest Side), Mauritius is fully vertically integrated.

CIEL Textile sub-sectors are Knits, Knitwear and Woven – see glossary.

Textile – Ciel Textile is a global textile player with three operating arms – Knits, Knitwear and Woven. The division operates 19 production units located in Mauritius, Madagascar, India and Bangladesh. According to management for YE23A, these production units combined manufacture ~36.5m garments annually – Woven (20.0m pieces), Knits (12m pieces) and Knitwear (4m pieces). Woven is the largest contributor to the textile cluster revenue at 60%, followed by Knits and Knitwear both at 20%.

The Textile division has a track record of reasonably consistent EBITDA profitability and dividend payments of 40% of profit.

Textile's significance to Group YE23A - In YE23A the textile cluster contributed 50% of Group consolidated revenues vs. 54% y/y, but growing at 15% y/y with an EBITDA margin of ~11.5% vs. 11.1% y/y, contributing ~29% of Group EBITDA vs. 33% y/y. Our forecast median revenue growth rate is 7.06% and averages 5.71%, with 3-yr CAGR of 5.59% to 2026E.

ACF's estimates Textile EBITDA earnings volatility between 1.7-2.4%

ACF forecasts a conservative Ciel Textile cluster mean EBITDA margin range of 8.3-8.5% over the next 3 years, with a geometric mean of 9.4% within a volatility range of 2.1%.

Exhibit 8: **Summary financial performance - textile cluster**

Ciel Textile MUR (m)	2019A	2020A	2021A	2022A	2023A
Revenue	12,151	10,390	10,444	15,454	17,835
Growth YOY (%)	*11%*	*-14%*	*1%*	*48%*	*15%*
EBITDA	1,025	548	1,321	1,720	2,057
Margin (%)	*8%*	*5%*	*13%*	*11%*	*11.5%*
Profit after tax	453	-656	627	744	1,093

Sources: ACF Equity Research; Company Reports.

Ciel Textile management may disagree with our textile growth and margin assumptions and this could be a cluster that delivers additional upside, pushing CIEL's market valuation beyond our valuation range.

The textile division has generated positive PAT every year since 2019 bar 2020. The 2020 PAT loss of MUR 656m was due to the temporary closure of manufacturing facilities during the Covid-19 lockdowns. Competitive pressures in textile manufacturing and the likelihood of less stable global economic conditions in the immediate future, lead us to conservative forecasts for the growth and margins of the Ciel Textile cluster and its contribution to Group.

CIEL's response to the economic challenges facing the textile sector is to identify opportunities in South Asia (Bangladesh and India) as the textiles global supply chain shifts away from China.

CIEL's textile strategy demonstrates a willingness to evolve with market developments. Since the 1980s the Mauritian textile industry has developed from a basic producer to a vertically integrated supplier of design-led garments.

Textile manufacturers in Mauritius supply finished textiles to renowned brands such as Topshop, Levi's Calvin Klein, Tommy Hilfiger, Victoria's Secret, Zara, Abercrombie & Fitch.

Today, Mauritius is exporting to some of the major global markets – Europe and the USA.

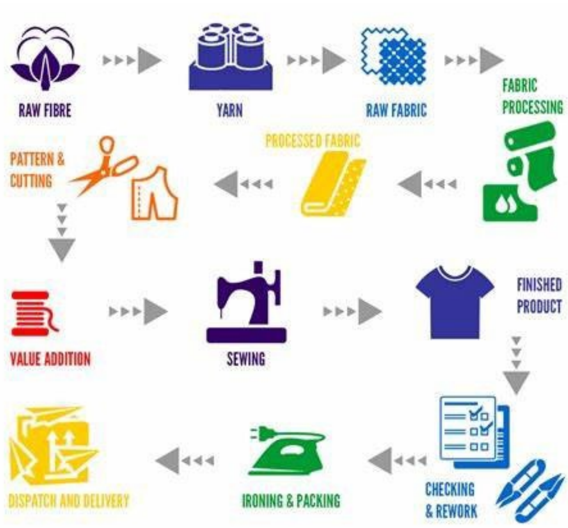
The total value of Mauritian apparel exports (including clothing accessories) was MUR 18.7bn YE22A, according to data from Statistics Mauritius. This represented around 22.5% of the total exports from Mauritius, currently making textile a strategic sector in the Mauritian economy. However, textile is a global business, is highly competitive and evolves rapidly.

In our assessment, for textiles to remain competitive in Mauritius, the country will need to move to full automation to the degree commonly seen within the auto industry. We assess that CIEL's textiles strategy focus on South Asia is in part an evolutionary response to such regional challenges.

India - #1 shirt manufacturer goal - CIEL's expansion opportunities include becoming the #1 woven shirt operator in India. We consider this a potentially effective strategy that could enable CIEL to beat our forecast EBITDA margin range by several percentage points.

Vertical integration – CIEL's Mauritian textile operations are vertically integrated. The feed stock is African raw cotton, which feeds into a facility equipped with up-to-date machinery from leading Italian, German and Swiss suppliers (e.g. Mario Crosta, Oerlikon). We observed elements of AI, state of the art printing facilities, chemistry labs, testing facilities and skilled labour to produce finished garments (shirts).

Exhibit 9: **Textile process diagram (generalized)**



Sources: ACF Equity Research; Company Reports.

CIEL is generating significant value from its Textile's estate - One of CIEL's knitwear textile factories has been redeveloped - Nouvelle Usine – an area of 17,200 m^2 converted into an operation which has taken inspiration from flexible office space models and developed them into an entire community-based concept.

The complex also contains a sophisticated marketing suite with buyer facilities and a marketing and design agency, which means Ciel Textile proposes, as well as accepts, fashion designs and lines to and from buyers.

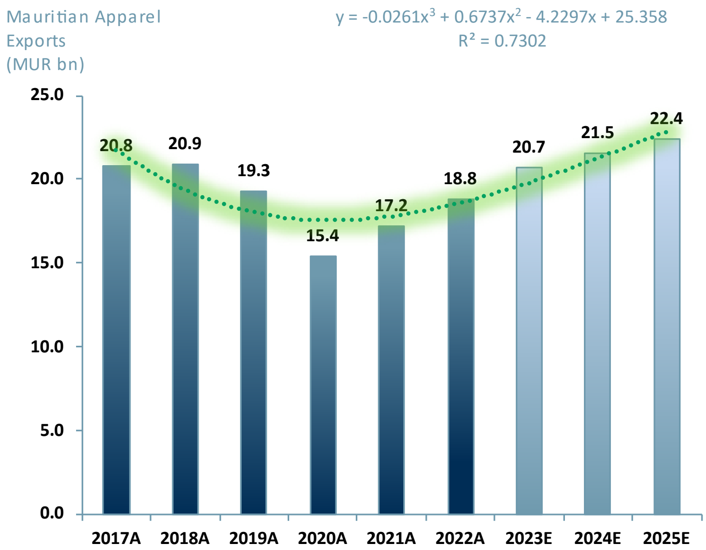
When CIEL closed its Mauritian textile factory in Floreal, due to competitive labour cost pressures, the plant equipment was shipped to a new factory with a more attractive cost base in Madagascar. CIEL appears to have a decisive forward thinking management team. The textile estate in Mauritius is undergoing redevelopment via a range of innovative, and to date, commercially successful uses.

Although 'WeWork' is not present in Mauritius, Regus is, as are some smaller competitors. Nevertheless, CIEL's redevelopment of parts of its Textiles estate is more thoughtful and more forward thinking.

CIEL views its textiles operations knowledge as a core competitive advantage. The cluster appears to be a central future growth driver for the Group, delivering relatively consistent EBITDA margins over the previous 5 years of around 10% and contributing a median 19% of Group EBITDA. Investors should focus on annual, rather than quarterly, textile cluster revenue and earnings performance. In our view, CIEL must exceed our median textile EBITDA M% and revenue forecasts to outperform our valuation range.

Exhibit 10: **Mauritius apparel exports (MUR bn) forecast to 2025E**

Our forecast for the Mauritius apparel exports market attempts to capture post COVID bounce back combined with regional long rung GDP growth. However, this forecast pre-supposes that Mauritius is able to remain competitive in the highly competitive global apparel market, it is far from clear that this will be possible without significant further automation and the loss of local jobs. CIEL has shown geographical flexibility in terms of its textile business, including moving factory equipment overseas to more competitive cost bases.



Sources: ACF Equity Research; Company Reports.

CIEL's other Textile building renovation program includes Flexeo Business Park located in Solitude, Mauritius – an area of 110,000 m comprised of warehouse space, light industrial activities and office space.

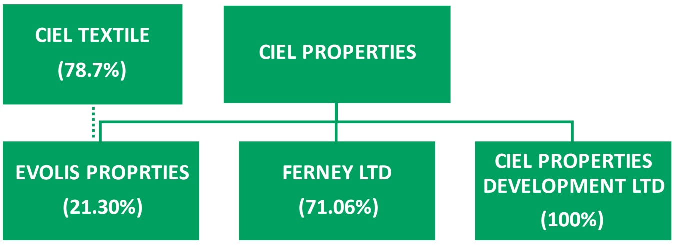
In our view, as well as India, CIEL could benefit from growing opportunities in Africa. Africa holds promise as the next apparel sourcing hub. Asia presents both export and consumption opportunities. CIEL's presence in India allows it to capitalize on the large domestic market as well as migration of global supply chains away from China.

Properties – Cyclical Cash Generation

Properties - Ciel Properties is, in our view, a trading business, it develops the Group's land and real estate assets. The company owns 21.30% stake in Evolis, 71.06% stake in Ferney and 100% stake in Ciel Properties Development Ltd.

Ciel Textile owns the remaining 78.7% of Evolis, meaning CIEL Group has a 100% stake in Evolis and controls Ferney.

Exhibit 11: **Properties – operating structure**



Sources: ACF Equity Research; Company Reports.

Evolis Properties: Created during YE22A, Evolis is a mixed-use property investment vehicle. Its main focus is on the non-core assets of Ciel Textile and Ciel Properties assets with the aim of converting them into high-yielding properties. As at date, Evolis holds 73,000m^2 of assets in Mauritius valued at approximately MUR 1.45bn. These include premium offices, industrial, retail, warehousing facilities and an additional 69,000m^2 of land earmarked for future development. As of the end of YE23A, Evolis has successfully completed the building regeneration program with 96% occupancy on a Gross Leasable Area (GLA) of 65,378 m^2.

Evolis Properties has completed two regeneration projects, Nouvelle Usine and Flexeo Business Park.

Nouvelle Usine (17,200m^2) is Evolis' first urbanization rehabilitation project and was formerly the Floreal Knitwear textile factory. Although at a first glance it may seem similar to the 'We Work'/Regus flexible or on demand space model, Nouvelle Usine is differentiated. In addition to office space and meeting rooms, Nouvelle Usine is structured as a community offering. It achieves this via the provision of additional offerings on site including children's facilities, after school programs, private healthcare professionals' consulting rooms, a wellness center, parking, storage and retail spaces (alongside the necessary food and beverage offerings). Nouvelle Usine provides an all-in-one destination for the community.

Flexeo Business Park (Land bank 110k m^2, 25k m^2 of buildings with 96% occupancy) makes use of the existing land and textile building infrastructure built 40 years ago. Evolis has turned this space into a warehouse and light industrial facility, filling the space using a competitive pricing strategy. Tenants include a major regional brewer using Flexeo as a distribution point and a furniture company assembling and storing on site.

Ferney is focused on contributing to CIEL's sustainability goal to become Carbon Neutral by 2030.

Ferney Ltd owns 3,200 hectares of land located in the south-east of Mauritius. This fairly untouched area of the country, with natural wildlife and an existing high-quality ecosystem is attached to a sustainable and smart development project. The project is designed around the concept of small-scale sustainable farming at the heart of the development.

Phase 1 - farm living (development underway) – providing shared plots of land to grow and cultivate produce in order to create a community. Residential lodging has already been planned, of which the full 68 plots have already been sold off plan, according to recent management exchanges.

Phase 2 - (eco hospitality) - is to expand the farm living and create an eco-hospitality destination (expanding the lodging capability to offer rentals, adding schools, care homes for the elderly and medical facilities). Ferney is marketed as a middle class 'paradise.' There is likely to be a significant global audience for Ferney's limited lots.

A core mission of Ferney is farm living in order to create a circular economy within this community.

Exhibit 12: **Summary financial performance – Properties cluster**

Ciel Properties MUR (m)	2019A	2020A	2021A	2022A	2023A
Revenue	142	113	103	132	206
Growth YOY (%)	*-94%*	*-20%*	*-9%*	*28%*	*56%*
EBITDA	144	30	2	102	278
Margin (%)	*101%*	*27%*	*2%*	*77%*	*135%*
Profit after tax	-63	131	913	137	200

Sources: ACF Equity Research; Company Reports.

We note the cyclicality of EBITDA generation for property development – invest, build, sell, re-invest. Geometric mean EBITDA margin over the last 5 years (4 periods) is 32% with a mean of 51% and an average of 63%.

Healthcare – Compares Favourably with Europe

C-Care has assets in Mauritius, Madagascar and Uganda.

Private healthcare – The healthcare cluster owns, operates and manages assets in the private healthcare sector in Mauritius (Indian Ocean region) and in Sub-Saharan Africa (Uganda). Ciel Healthcare employed 2,200 people YE23A.

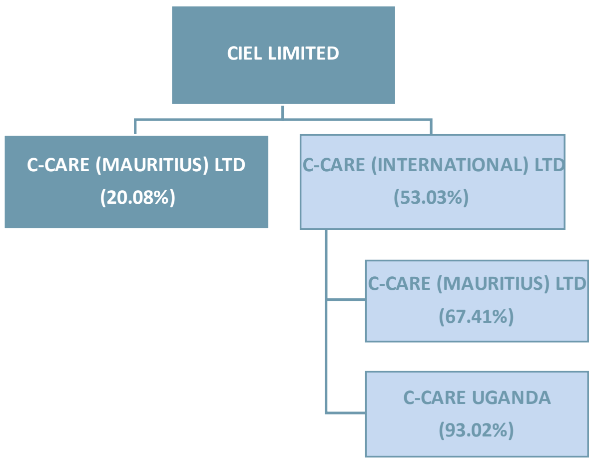
Mauritius has a state funded healthcare system (free at the point of care) and a growing private healthcare sector.

C-Care International owns 67.41% of C-Care Mauritius and 93.02% of C-Care Uganda.

CIEL's healthcare cluster has been re-branded as C-Care in Mauritius and in Uganda (C-Care Mauritius and C-Care Uganda respectively). CIEL Ltd owns a 20.08% direct stake in C-Care Mauritius and a 53.03% stake in C-Care (International) Limited.

The healthcare cluster (C-Care International, 53.03% owned by CIEL Ltd) owns and runs 3 hospitals, 22 primary and secondary care clinics, 4 laboratories (testing) and 41 C-Lab collection centers.

Exhibit 13: **Healthcare – operating structure**



Sources: ACF Equity Research; Company Reports.

C-Care also owns and operates facilities in Mauritius, Madagascar and Uganda.

C-Care is a significant provider of private medical care in Mauritius and in the Indian Ocean region. In Mauritius C-Care runs 2 hospitals (Darne and Welkin) and 2 clinics (Grand Baie and Tamarin), 4 testing labs with collection centres attached and 22 collection points. C-Care International runs 1 hospital in Uganda (IHK in the capital, Kampala), 20 clinics (IMC) and 19 testing samples collection points.

Demand for private healthcare services in both Mauritius and Uganda is growing. Mauritius is a regional (Indian Ocean) centre of medical 'tourism', with anecdotal evidence of Indian nationals travelling to Mauritius for care.

We also assess that the private healthcare facilities in Mauritius, which compare favourably with any facilities ex-US around the world, including European facilities, supports indirect foreign investment into the property sector from the international middle classes and high net worth individuals.

C-Care has both benefitted from and helped to create these trends and flows. Revenue growth has been notable over the last 5 years and EBITDA margins have averaged above 20% over the last 3 years.

Exhibit 14: **Summary of financial performance – healthcare cluster**

Ciel Healthcare MUR (m)	2019A	2020A	2021A	2022A	2023A
Revenue	2,495	2,711	2,995	3,562	4,121
Growth YOY (%)	*10%*	*9%*	*10%*	*19%*	*16%*
EBITDA	207	342	557	817	803
Margin (%)	*8%*	*13%*	*19%*	*23%*	*19%*
Profit after tax	-143	-96	296	432	350

Sources: ACF Equity Research Graphics; Company Reports.

C-Care labs – In addition to hospitals, C-Care also owns and operates labs. In Mauritius there are currently 4 labs with collection centres and 18 standalone collection centres spread across the country with another 3 under construction and, according to management, 7 more planned for YE24E. In Uganda there are 20 labs with a further 4 under development. In Madagascar there are 3 labs with collection centres and 1 standalone collection centre under the brand Centre Technique Biomedical (Madagascar only has labs and no hospitals or clinics).

ACF visited the Welkin hospital and in particular the C-Care lab. The lab (and medical facilities including the quality of patient accommodation) compared favourably with the European market and are as good or better as any facilities we have visited around the world outside the US. The Wellkin lab is WHO accredited and is advanced in molecular, microbiology, histopathology, haematology and cancer testing among other disciplines.

The Wellkin lab was opened during the Covid pandemic with a need for fast and real-time testing. Using AI, the lab is able to provide real-time results within the hospital and patients via an app. C-Care also provides results online to other specialists and consultants worldwide for a faster and more efficient diagnostic. In this way C-Care is able to provide a private diagnostic service as any around the world.

Growth strategy - C-Care plans to diversify into dentistry and robotics and grow its East Africa geographical footprint. Instead of greenfield, Ciel Healthcare plans to acquire and then improve on existing hospital infrastructure in the E. Africa region.

Hotels & Resorts – Best in Class

1H23A, the overall occupancy for tourism sector in Mauritius stood at 73%.

The main tourism markets for Mauritius are Europe: UK (20%), Germany (19%), France (17%) and Africa: South Africa (8%).

Hotels & Resorts: This cluster captures the tourism and hospitality activities of the group. The Hotels & Resorts cluster is made up of SUN (50.1% stake) and Anahita Residences & Villas (ARVL) (50% stake). Ciel Hotels & Resorts cluster owns and operates six properties in Mauritius - Long Beach, Sugar Beach, La Pirogue and Ambre and provides a management contract to Four Seasons for Shangri-La and Le Touessrok. These properties offer around 1,450 rooms. The cluster employs around 3,500 people. According to management, there is no significant seasonality in staffing levels.

Exhibit 15: **Hotels & Resorts – operating structure**

Sources: ACF Equity Research Graphics; Company Reports.

The segment reported revenues of MUR 8,105m (up 67% y/y post Covid-19 lockdowns) and PAT of MUR1,527m YE23A. The business posted a rebound and delivered multi-fold improvement in profits vs. prior year. The results permitted SUN Limited in May 2023 to repay its rupee-denominated bonds totalling MUR 1bn, six months ahead of schedule. The bond repayment reduced the cluster's gearing ratio to 22.7% down from 34.8%. Tourist arrivals in Mauritius are expected to reach 1.3m by YE23 (nearly 94% of the pre-Covid 2019 level). We anticipate a continuation of YE23A performance in 1H24, which should give SUN the option to reduce gearing again.

Exhibit 16: **Summary financial performance – hotels & resorts cluster**

Ciel Hotels & Resorts MU	2019A	2020A	2021A	2022A	2023A
Revenue	6,615	5,058	528	4,840	8,105
Growth YOY (%)	*-2%*	*-24%*	*-90%*	*817%*	*67%*
EBITDA	1,255	1,029	-594	1,224	2,448
Margin (%)	*19%*	*20%*	*-113%*	*25%*	*30%*
Profit after tax	-1,893	-1,833	-2,145	210	1,527

Sources: ACF Equity Research Graphics; Company Reports.

Mauritius reported ~MUR 41.7bn in gross tourism earnings in the first half of 2023, an increase of 65% y/y according to data from the Bank of Mauritius. Tourism earnings are expected to increase YE23 by 23% y/y to MUR 80bn. During the 1H23A, the total number of visitors to Mauritius increased by 58% y/y to 596,466. Mauritian industry sources expect this trend to continue during 2H23.

The local Mauritian tourism industry expects the value of its market to have recovered to between 90% and 95% of the pre-pandemic levels. According to Statistics Mauritius, there will be an estimated 1.3m visitors to Mauritius during YE23A, a recovery rate of 93.6% compared to arrivals in 2019. This growth is being supported by the recovery of the European market and the emergence of new markets, such as the Middle East.

SunLife's (SUN Ltd) hotels and resorts are sustainability leaders (ESG) with both national and international standards in our view. Its hotels are zero single use plastic, for example, hotel drinking straws are made from biodegradable material called bagasse (bagasse is a fibrous by-product of sugarcane crushing from Ciel Agro's sugarcane milling process). Bagasse is also used to generate electricity by Ciel Agro. CIEL's hospitality cluster employs high standards of food waste, water waste and energy sustainability.

SunLife recently rebranded and carefully segmented its market - focusing on sustainability and the individuality of each hotel/resort in order to improve audience targeting efficiency. For example, Hotel La Pirogue partly distinguishes itself with a coral farming initiative and with plans to build a marine centre. SunLife also deploys community sponsorship packages – it is currently partnering with the cancer ward of one of the three largest public hospitals in Mauritius, Victoria Hospital.

Exhibit 17: **Tourist arrivals, earnings and occupancy rates**

Year	Tourist arrivals	Tourism earnings (Rs m)	Room Occupancy (%)
1H20A	304,881	16,083	-
2H20A	4,099	1,581	-
2020A	**308,980**	**17,664**	-
1H21A	3,225	907	9%
2H21A	176,555	14,346	31%
2021A	**179,780**	**15,253**	**21%**
1H22A	376,556	25,272	51%
2H22A	620,734	39,573	73%
2022A	**997,290**	**64,845**	**62%**
1H23A	596,466	41,701	73%

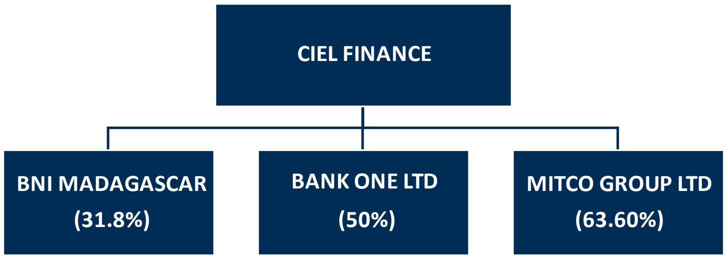
Sources: ACF Equity Research; Company Reports, Government Departments.

Finance – Profitable, Ambitious, But Scalable?

Finance - Ciel Finance is the banking and financial services cluster of CIEL, actively involved in banking, fintech and fiduciary services. The three core assets include BNI Madagascar (31.8% stake), Bank One (50% stake) and Mitco Group (63.60% stake). Ciel Finance has a meaningful presence in two countries, according to management, these are – Mauritius and Madagascar (Mitco has representative offices in Seychelles and Dubai), (source: Linkedin Ciel Finance site [(99+) CIEL Finance: Overview | LinkedIn]) - and operates two banks and one Fiduciary and Corporate Services company (Mitco). The segment has around 1,600 employees.

Management discipline - Ciel Finance's 95% stake in its asset management business, iPRO, was sold to Gavekal for ~US$ 2m in an all-cash deal, which closed 2Q22A (Jul 2022). Ciel Finance withdrew from its debt free but loss-making stockbroking business (LCF Securities) in 1Q23A (Feb 2023), selling its 23% stake to majority shareholder LCF Holdings for US$ 22k, no liabilities were assumed by Ciel Finance

Exhibit 18: **Finance – operating structure**



Sources: ACF Equity Research; Company Reports.

The cluster reported revenues of MUR 5,129m (up 13% y/y) and PAT of MUR 1,085m (up 54% y/y) for FY 2023A. Bank One witnessed strong credit growth and reversal of provisions. Likewise, BNI Madagascar benefited from the higher interest rate margins. According to management BNI has raised its RoE from ~30% Dec 2022 to ~37% as per YE23A figures.

BNI Madagascar - is the largest bank by assets in Madagascar with a deposit base of MUR 33.3bn and net advances of MUR 24.3bn as of December30, 2022. BNI holds around 15pp of the 25pp or the population that are banked. It is unlikely in the near term that the proportion of the banked population will increase significantly. Those that need credit at the lower end of the market are turning to the local telco mobile offerings and microfinance institutions.

At June 30, 2022, BNI had a capital adequacy ratio (CAR) of 10% as against the regulatory requirement in Madagascar of 8%. As of the 31 Dec 2023 the CAR in Madagascar has been raised to 10.5%. BNI's aim is to grow the loan book, focus on operational improvement and develop new products and services, with a view to improving returns. BNI's aggressive loan book growth strategy has been successful but has come at a cost in terms of non-performing loans that is driving management to reassess and re-segment credit worthiness in its target market. According to the YE23 Ciel Group financials loan provisions are still increasing, which may be attributable to a lag effect.

It should be noted by investors that BNI Madagascar has re-defined its strategy to focus on improving margins and capital optimization in response to the non-performing element of the loan book and the increase in the CAR to 10.5% up from 8%. See exhibit below.

Bank One - is a Mauritian bank jointly owned by Ciel Finance Limited and I&M Group Plc. Bank One is the sixth largest bank in Mauritius by revenue. Key services offered by Bank One include loans, deposits, transaction banking, trade, foreign currency, structuring and advisory capabilities, private banking, cross border personal banking, custody, and security services. Bank One had a deposit base of MUR 38.2bn and total assets of MUR 46.8bn. At December 31, 2022, Bank One had a capital adequacy ratio of 17.76%.

Mitco Group – Operating since 1993, Mitco Group is a corporate, private client and fund services business with three decades of experience in cross boarder investment administration for a global client base.

Mitco is a relatively minor contributor to cluster revenues. Mitco has pursued finance' opportunities in Sub-Saharan Africa.

CIEL has a range of definitions of values for EBITDA which vary across the years in its annual reports and other published materials. CIEL has also regular restated its EBITDA numbers – according to CIEL Group finance the figures presented in this table most accurately represent revenues and EBITDA over the period.

Exhibit 19: **Summary of financial performance – finance cluster**

Ciel Finance MUR (m)	2019A	2020A	2021A	2022A	2023A
Revenue	2,853	3,462	3,782	4,544	5,129
Growth YOY (%)	*9%*	*21%*	*9%*	*20%*	*13%*
EBITDA	891	1,305	1,349	1,424	1,601
Margin (%)	*31%*	*38%*	*36%*	*31%*	*31%*
Profit after tax	630	501	608	703	1,085

Sources: ACF Equity Research; Company Reports.

Agro – Highly Focussed Speciality Sugar Business

Agro - The Ciel Agro cluster holds the stakes in operations in the sugar and property sector. Agro runs 3 sugar factories, 3 power plants and employs around 5,800 people. CIEL owns a 20.96% stake in each of Alteo and Miwa Sugar.

Alteo Limited sugar cultivation - The Alteo Group is a leader in the regional sugar sector, renewable energy and real estate, with a substantial land asset base in the East of Mauritius. Alteo has 7,800 hectares of Mauritian land under sugar cultivation. Alteo also generates revenues from energy generation using Bagasse, a sugar cane by-product, and from its property portfolio.

Energy revenues - In 2023A Alteo produced 190 Gwh of renewable energy (Alteo has a PPA with the Mauritian national grid priced at Rs3.50 per kWh, last reviewed in December 2021 and due for review again in December 2024. (Alteo Annual report)

Property revenues - Alteo generated MUR 1.6bn in revenue from its property cluster, 13.2% or Ciel Agro revenues. In 2022A, Alteo restructured its operations into two distinct listed groups.

Alteo's East African sugar operations were transferred into Miwa Sugar Limited, which was subsequently listed on the Mauritian exchange. The Mauritian operations remained within Alteo Limited.

Miwa Sugar - Miwa Sugar Limited was created as a part of Alteo's restructuring. It is a Mauritius-based holding company engaged in sugar operations in Tanzania and Kenya through its investment in Sucriere des Mascareignes Limited.

The East-African sugar market is characterised by a structural deficit, with consumption growing faster than production as a result of income and population growth over the last decade (Alteo Annual report).

At YE23A Miwa had successfully turned around its Kenyan operations and delivered strong performance from the Tanzanian operations on the back of relatively higher sugar prices in their local markets. Miwa Sugar is aiming to grow its sugar footprint organically across East Africa whilst also surveying the market for acquisition growth opportunities.

Exhibit 20: **Summary of financial performance – agro cluster**

Ciel Agro MUR (m)	2021A	2022A	2023A
Revenue	9,550	12,100	12,538
Growth YOY (%)	*NA*	*27%*	*4%*
EBITDA	3,576	3,792	4,007
Margin %	37%	31%	32%
Profit after tax (PAT)	1,864	1,764	2,010
Profit attributable (PA)	244	212	305

Sources: ACF Equity Research; Company Reports.

In 1858 there were 259 sugarcane mills – this number has since dropped to only three today – Alteo, Terra and Omnicane.

Sugar sector - The sugar sector has been a key economic pillar for the Mauritian economy since around 1835 after the tariff reform of 1825 that made Mauritian sugar competitive with West Indies sugar. The sugar industry is in part credited with funding the 'Mauritian Miracle' along with state reforms.

Alteo only produces specialty sugars – soft sugars and free-flowing.

The contribution of sugar exports to the Mauritian economy remained significant well into the 20th century. However by 2019, following significant economic diversification of the Mauritian economy, sugar accounted for around 7.8% of export value, notably less than either textiles and clothing or fish products.

In 2022, sugar cane cultivation was conducted on around 39,199 ha of land with a total of 2.3m tons of sugar cane harvested and 233k tonnes of sugar produced. The largest Mauritian industry players include Medine Limited, Terra Mauricia Ltd, Alteo Limited, , Omnicane Ltd and ENL Agri Ltd. (Management stated to us that Alteo is 'one of the biggest landowners in Mauritius', suggesting a significant land bank. During our verification process we concluded for a range of reasons that it is difficult to determine how much of this land bank could be or is sustainably possible to develop into property assets. In addition, CIEL only holds a minority stake in Alteo, as we understand it.

Historically, Mauritius produced two groups of sugars - white refined (PWS) and higher margin specialty sugar. Plain white sugar (PWS) accounted for around 41% of the total production, while specialty sugars accounted for the remaining 59%. The majority of sugar produced in Mauritius is exported through the price setting Mauritius Sugar Syndicate (MSS), mainly to the European Union (EU), which accounted for nearly 79% of total Mauritian sugar exports in 2022.

The global sugar market is expected to be in supply deficit in 2023/24, which should support prices. According to the International Sugar Organization (ISO) total global sugar production is likely to drop by 1.2% in the 2023/24 season (starting October), and the market is expected to face a supply deficit of 2.1m tons.

World raw sugar prices are currently trading around $23/24 per lb having moved higher since the beginning of 2022/23 season, from USD 17 cent/lb towards the end of October 2022 to USD 28.1 cent/lb at the end of October 2023, owing to concerns over shortages of global supply. On the InterContinental Exchange (ICE), New York, raw sugar prices have been printing 10-yr highs between USD ~23.5 and ~27.8 cents/lb.

CIEL's Agro cluster is ideally placed to take advantage of this favourable pricing scenario through improving field productivity via an accelerated replanting program and the implementation of precision farming techniques.

The downside risk in the sugar business is the nature of commodity price patterns and climate change. Climate change could reduce sugar cane yields and sugar production / productivity on Alteo land in Mauritius and farmers and land supplying Miwa production.

Management Team

- **CEO, Jean-Pierre Dalais.**

Effecting a smooth transition.

Jean-Pierre Dalais joined Ciel Group in January 1992 and was appointed as the Group CEO in January 2017, overseeing all of its operations. Prior to this, he was the Executive Director overlooking Hotels & Resorts, Financial Services and Healthcare clusters. Before that, he was the Chief Executive Officer of CIEL Investment Limited. He holds an MBA from the International University of America, San Francisco, CA, USA. Jean Pierre Dalais will move to Vice Chair of the board on 01 July 2024. Guillaume Dalais (below) will become CEO. CIEL has stated that Jean Pierre will become Non-Exec Chair of CIEL as of 01 July 2025.

- **Deputy Group CEO, Guillaume Dalais.**

Formerly appointed CEO beginning 01 July 2024.

Guillaume Dalais joined Ciel Textile Group in 2010 and was serving as the Chief Executive Office of the Knitwear cluster of the Ciel Textile Group during 2016-2020. He is currently the Chief Executive Officer of Ciel Properties. He has former experience in the Investment Banking sector working at Metier Investments & Advisory Services in South Africa and CIEL Capital Limited in Mauritius. Guillaume has been Deputy CEO since January 2023. Guillaume Dalais will become CEO of CIEL 01 July 2024.

- **Group Finance Director, Jérôme De Chasteauneuf.**

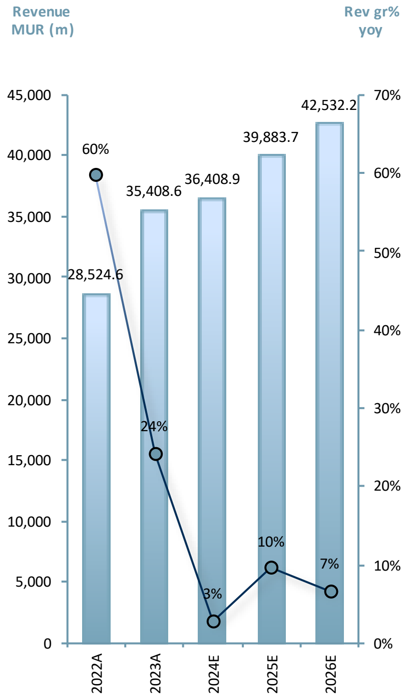
Jérôme De Chasteauneuf became the head of finance at the Ciel Group in 2000 and has overseen numerous financial re-engineering initiatives which accompanied the development of the Ciel Group. He brings extensive experience in business development and finance, accounting & audit, strategic development, and deal structuring. He holds a BSc in Economics from The London School of Economics, UK.

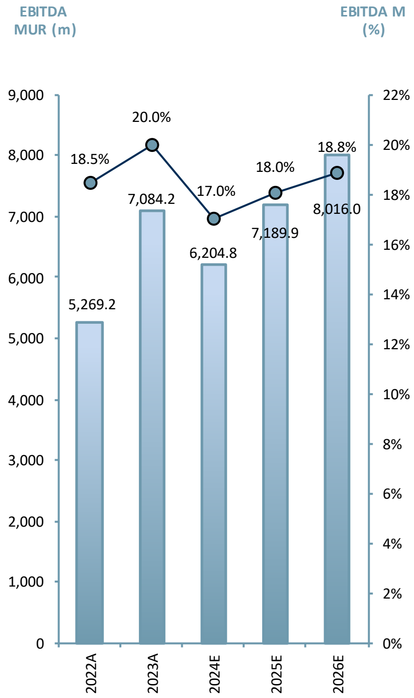
Forecasts - Group

Exhibit 21: CIEL financial metrics

Our forecasts are based on a combination of a broad series management interviews in Oct 2023, our verification visits, sector knowledge and market experience. The charts show 2-year historicals and our 3-year forecasts for key metrics for CIEL Group.

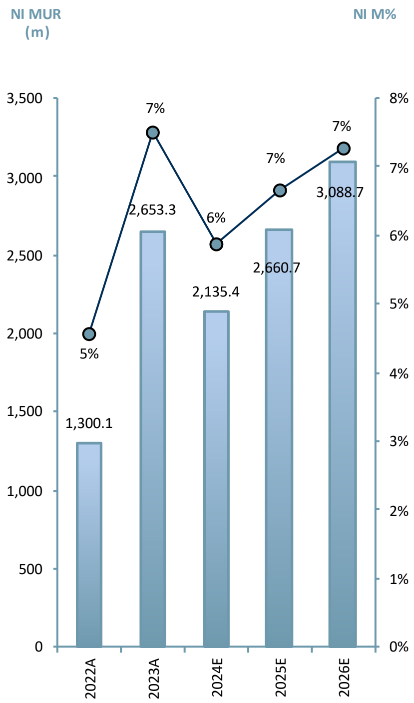
Investors should note that we have attempted where possible to use a standardised approach to calculating EBITDA which is some cases may be different to the value presented by corporates. In particular in relation to non-cash items, our approach is to remove any non-cash items or items that could be considered quasi cash. We err on the side of caution. Sometimes EBITDA values will be higher and sometimes lower than the versions published by companies. The same principle applies to FCF, FCFF and FCFE.

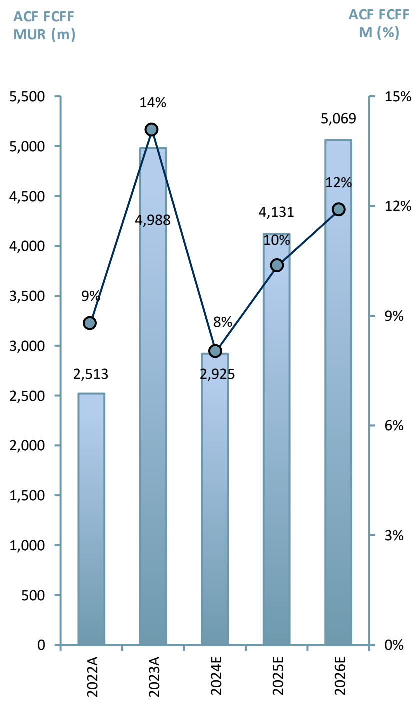




Investors should note that with respect to FCF, FCFF and FCFE the approach we use is standardised – in some cases FCF, FCFF and FCFE may be different to the value presented by corporates. In particular in relation to non-cash items, our approach is to remove any non-cash items or items that could be considered quasi cash. We err on the side of caution. Sometimes FCF, FCFE and FCFE values will be higher and sometimes lower than the versions published by companies.

Investors should note that a change to our forecasts may lead to significant changes to our valuation range both up and down.





Our forecasts are based upon a range of factors including management guidance and our own sensitivity analysis. We focus on cash proxies (EBITDA) and free cash flow (FCF). However, Net Income remains important for assessing elements of balance sheet strength, nevertheless we are strongly of the view that only cash matters.

Valuation – Group DCF

Exhibit 22: CIEL WACC, DCF and Value Range

For historical year values ACF attempts a standardised approach where possible. Values may vary compared to corporate published materials.

ACF est. MUR (m)	2022A	2023A	2024E	2025E	2026E
Revenue	28,525	35,409	36,409	39,884	42,532
EBITDA	5,269	7,084	6,205	7,190	8,016
Net Income	2,339	4,302	3,433	4,176	4,805
ACF FCFF Estimates	2,513	4,988	2,925	4,131	5,137
CPS (diluted)	1.49	2.96	1.73	2.45	3.04

We see fair value of CIEL at MUR 10.49 per share (fully diluted).

WACC Calc CIEL	
Pre-tax cost of debt	6.2%
ETR	18.0%
After-tax cost of debt	5.1%
Current Leverage	102.5%
Debt/(Cash)	11,930
Equity	11,644
Target Leverage	40.0%
D / (D+E)	50.6%
ACF β adj levered	0.9
rf	4.4%
ERP	9.7%
Cost of equity	12.7%
Risk adj.	3.0%
WACC	11.9%

Note: Target leverage is idealised based upon optimal gearing market averages over time.

FX MUR USD translation values at date of note.

Valuation Range - Base Case CIEL	NPV (MUR m)	NPV (USD m)
Total NPV FCF (MUR m)	35,390	761
Net Debt/(Cash)	11,930	256
Implied Equity Value	25,282	544
Conglomerate Discount	30%	
Fair Value Post Discount (MUR m)	17,697	380
NoSh (m)	1,688	
NoSh (diluted) (m)	1,688	
Intrinsic Value Per Share (Rs)	10.49	0.23
Close Price (Rs)	6.90	
VR (low - high)	**10.22**	**10.75**
VR Spread	5%	
Implied VR Return (low - high)	48%	56%

Note: implied value range in this ACF research note is based upon diluted shares in issue at the date of this note.

Sensitivity Analysis – Group

Our conglomerate (diversified industrial) discount is at the high end of our market range 5%-35%.

Contributing factors include the relative usability of the material produced for international capital markets, the complexity of cash flows and holding structures, the Mauritian Companies Act, Big 4 accounting firms' approaches and constraints with IFRS accounting information set.

The above contributing factors to our conglomerate discount are not untypical for diversified industrials. The upside is that there are opportunities to release further value for shareholders via change to the above factors.

ACF's valuation is conservative. CIEL Group is a holding company for which we assume a conglomerate discount of 30%. This risk-adjusted approach captures the complexity and information use constraints associated with a diversified industrial company structure, which often results in 'the 'the whole valued at less than the sum of its parts.'

Valuation approaches – Ciel Group - We have used a **DCF** approach with a peer group driven EBITDA terminal value multiple for our Ciel Group valuation.

In contrast in our sanity check **SOTP** valuation approach, we value each cluster independently based upon a **DCF NPV** analysis or other approaches, such as **NAV** (property) or an **attributable net income multiple** (Agro). Our terminal value for NPVs in our SOTP are based on a long run growth rate of 4%, reflecting data available for regional GDP growth in India, Mauritius and the Indian Ocean region and East Africa. Although in our SOTP sanity check valuation we apply a far lower conglomerate discount of 5%, it remains present to account for the complexity of separation of the units for theoretical sale and to ensure we constantly build in conservative sanity checks.

Using our diversified industrial (conglomerate) discount approach we arrive at a valuation range for Ciel Group of **MUR 10.22 – 10.75 per share (USD 0.220 – 0.231)**, applying a standard deviation of 5%.

Using our SOTP approach we arrive at a fair value range for CIEL of **MUR 13.04 – 13.71 per share (USD 0.280 - 0.295)**, assuming a standard deviation of 5%.

Exhibit 23: **Valuation Sensitivity - EBITDA M% vs. WACC**

Share Price

WACC \ EBITDA margin (%)	17.0%	18.0%	19%	20.0%	21.0%
9.9%	9.08	10.24	11.40	12.56	13.73
10.9%	8.69	9.81	10.94	12.06	13.18
11.9%	8.31	9.40	10.49	11.58	12.66
12.9%	7.95	9.00	10.06	11.11	12.17
13.9%	7.60	8.62	9.64	10.66	11.69
14.9%	7.27	8.26	9.25	10.24	11.23
15.9%	6.94	7.90	8.86	9.82	10.78

Source: ACF Research Estimates.

Forecasts - By Cluster

The commercial dynamics of the textile industry remain subject to enormous change. There is evident pressure on margin and pressure to reduce time to market.

Additional pressures include declining volumes required by retailers for each production run (and so reducing economies of scale). Fashion cycles are also contracting.

Nevertheless, Ciel Textile has maintained revenue growth over time with EBITDA margins consistently around 10%. We have conservatively reduced our forecast EBITDA margins to a central tendency range between 8.33 and 9.41%.

Textile - We expect demand to be challenged amid a higher interest rate and baked-in inflation expectations environment. The inventory destocking by retailers continues to remain a headwind, although there are signs that it is nearing an end. Moreover, the recessionary trend in Europe and the cut-back on non-essential spending by consumers is likely to impact near term demand. As such, we expect overall production volume to decline, which is likely to lead to revenue decline by 1% in YE24E to MUR 17,653m before revenue growth returns to 11% in YE25E.

We also expect margins to be impacted as retailers push hard on costs to bring retail prices back to levels that stimulate consumption growth. Further, wage inflation and lower volumes are likely to negatively impact EBITDA margins. We forecast EBITDA margin of 7.5% for YE24, down 400 bps y/y. Ciel Textile has a strong global distribution network and world class manufacturing facilities located in India, CIEL is a strategic partner to top global retailers.

Exhibit 24: **Textile Financial Model**

Ciel Textile MUR (m)	2024E	2025E	2026E
Revenue	17,653	19,613	20,997
Growth YOY (%)	*-1%*	*11%*	*7%*
EBITDA	1,324	1,667	1,890
Margin (%)	*8%*	*9%*	*9%*
D&A	353	392	420
EBIT	971	1,275	1,470
Impairment of financial assets	0	0	0
Fair value on gain of properties	0	0	0
Finance Income	12	12	12
Finance Cost	-196	-196	-196
Share of result of associates and JV	-25	-25	-25
Profit before tax	761	1,065	1,260
Income tax	99	139	164
Tax rate (%)	13%	13%	13%
Profit after tax	662	926	1,096
Minority interests	75	75	75
Net income attributable to shareho	587	852	1,021

Sources: ACF Equity Research Estimates; Company reports

Properties - Property cluster growth is underpinned by the successful regeneration of various buildings in the portfolio, which should drive occupancy levels. In addition, the Ferney sustainable development project is gaining traction, with the first phase of sales fully reserved. We model a revenue of MUR 247m, up 20% y/y and EBITDA of MUR 49m, at 20% margin YE24E.

Exhibit 25: **Properties Cluster Model**

Ciel Properties MUR (m)	2024E	2025E	2026E
Revenue	247	297	356
Growth YOY (%)	*20%*	*20%*	*20%*
EBITDA	49	62	75
Margin (%)	20%	21%	21%
D&A	20	24	28
EBIT	30	39	46
Impairment of financial assets	0	0	0
Fair value on gain of properties	150	150	150
Finance Income	0	0	0
Finance Cost	-13	-15	-16
Share of result of associates and JV	0	0	0
Profit before tax	166	174	180
Income tax	59	62	64
Profit after tax	107	112	116
Minority interests	-5	-6	-6
Net income attributable to shareho	112	118	122

Sources: ACF Equity Research Estimates; Company reports

Healthcare - We expect upgrades to the already internationally leading facilities in Mauritius and also to Uganda coupled with new service launches to drive revenue growth for the cluster. Ciel Healthcare is planning room refurbishments and equipment replacements in hospitals in Mauritius and Uganda. Additionally, it is planning to expand its C-Care brand with the recent roll out of C-Care Tamarin in January 2024 and its C-Care cancer unit in later in 2024. We expect execution of C-Care's growth strategy of modernisation and improved patient care offerings within the ongoing growth capex envelope of our estimated 8% of revenues.

The turnaround of Ugandan operations in 2023 reflects well on the execution and leadership skills of the Healthcare cluster. We expect momentum to continue YE24E. We model healthcare cluster revenue growth YE24E at 6% y/y to MUR 4,377m. We model 50 bps increase in EBITDA margins YE24E to 20%.

Exhibit 26: **Healthcare Cluster Model**

Ciel Healthcare MUR (m)	2024E	2025E	2026E
Revenue	4,377	5,113	5,533
Growth YOY (%)	*6%*	*17%*	*8%*
EBITDA	875	1,074	1,217
Margin (%)	*20%*	*21%*	*22%*
D&A	350	409	443
EBIT	525	665	775
Impairment of financial assets	0	0	0
Fair value on gain of properties	0	0	0
Finance Income	10	10	10
Finance Cost	-97	-107	-117
Share of result of associates and JV	0	0	0
Profit before tax	438	568	667
Income tax	76	99	116
Profit after tax	362	469	551
Minority interests	161	209	246
Net income attributable to shareho	200	260	305

Sources: ACF Equity Research Estimates; Company reports

Hotels & Resorts- The Hotels & Resorts cluster led by the SUN Group is, in our view, a best-in-class operation. The cluster has successfully implemented structural improvements over the past few years. Sustainability/ESG is a well understood, well implemented element of operations. The cluster has effectively segmented its market hotel resort by hotel resort.

Execution at the front end (the customer experience) is by and large consistent and to a high standard. The results are seen in significant increases in occupancy rates and higher average daily revenues as the tourism industry heads back to pre-COVID levels.

Risks to the cluster include inflation and scarcity of labour wanting to join or return to the hospitality industry. Management has the expected focus on the rising cost base. The cluster is managing costs by increasing sustainability (cuts waste and reduces energy bills, creates marketing collateral, reduces risk and so the cost of capital), innovating recruitment policies and processes.

With respect to revenues the hospitality cluster is implementing reasonable package rate hikes.

We forecast an occupancy rate of 72% and average daily rate of MUR 14,150 during YE24E. As inflationary pressure will increase the cluster's cost base, we model a 320 bps y/y decrease in EBITDA margin YE24E to 27%.

Exhibit 27: **Hotels & Resorts Financial Model**

Ciel Hotels & Resorts MUR (m)	2024E	2025E	2026E
Revenue	8,591	8,770	8,946
Growth YOY (%)	*6%*	*2%*	*2%*
EBITDA	2,320	2,368	2,505
Margin (%)	*27%*	*27%*	*28%*
D&A	601	614	626
EBIT	1,718	1,754	1,879
Impairment of financial assets	0	0	0
Fair value on gain of properties	0	0	0
Finance Income	58	58	58
Finance Cost	-488	-415	-352
Share of result of associates and JV	25	25	25
Profit before tax	1,314	1,423	1,609
Income tax	210	228	258
Profit after tax	1,104	1,195	1,352
Minority interests	551	596	675
Net income attributable to shareho	553	599	677

Sources: ACF Equity Research Estimates; Company reports

Finance - BNI (Madagascar) continues to maintain its position as leader in the Malagasy corporate market and is gaining market share in the lending segment of the retail market. There is little competition in the cash deposits market and few market share gains to be had. We expect net interest margin (NIM) to increase as a result of any continuation in monetary policy tightening. Growth opportunities are apparent within retail lending and SME market share.

We model revenue YE24E for the cluster to increase by 5% y/y to MUR 5,385m. As noted above, we expect margins to hold amid a relatively high interest rate environment (by recent standards). As such, we model 80 bps increase in EBITDA margins YE24E to 32%.

Exhibit 28: **Finance Cluster Model**

Ciel Finance MUR (m)	2024E	2025E	2026E
Revenue	5,385	5,816	6,282
Growth YOY (%)	*5%*	*8%*	*8%*
EBITDA	1,723	2,036	2,261
Margin (%)	*32%*	*35%*	*36%*
D&A	269	291	314
EBIT	1,454	1,745	1,947
Impairment of financial assets	-500	-500	-500
Fair value on gain of properties	0	0	0
Finance Income	1	1	1
Finance Cost	-50	-60	-70
Share of result of associates and JV	250	250	250
Profit before tax	1,155	1,435	1,628
Income tax	228	284	322
Profit after tax	926	1,151	1,306
Minority interests	509	633	718
Net income attributable to shareho	417	518	588

Sources: ACF Equity Research Estimates; Company reports

Agro - CIEL holds a minority interest in the two main businesses which make up the Agro sector – Alteo (20.96%) and Miwa Sugar (20.96%). As such, we model the Agro business using the equity method. We model CIEL's share of profits based on its minority ownership in Alteo and Miwa Sugar at MUR 215m YE24E.

Valuation – SOTP

Ciel Group has a payout ratio policy base on an at least 75% of attributable net income. In our assessment this aggressive dividend policy is slowing growth and making development of international investor support more challenging.

CIEL operates in growth markets with a range of attractive opportunities. We believe most international investors are looking for opportunities that fully growth focussed rather than income focussed.

Here as a sanity check we value CIEL on a sum-of-the-parts basis. Textile, Hotels & Resorts, Healthcare and Finance clusters are valued using discounted cash flow methodology and a terminal growth rate of 4% for the terminal value (see previous valuation section for Group).

The Agro cluster is valued at a multiple of pre-tax profit, and the Properties cluster is valued using an NAV approach. CIEL's clusters are free cash flow positive with the exception of the Property cluster which, as a development business, is necessarily highly cyclical.

Our sum-of-the-parts analysis illustrates a breakdown of each potential value driver, with textile, and hotels & resorts accounting for nearly two-thirds of the total enterprise value.

We have assumed the total cost of capital for CIEL at approximately 11.9% and number of shares outstanding at 1,688m before dilution, which we expect to be minimal.

Exhibit 29: **CIEL Valuation – Sum-of-the-Parts**

SOTP (MUR m)	Full NPV	% interest	NPV attributable to CIEL	NPV attrib. (USD m)
Textile	12,665	100%	12,665	272
Hotels & Resorts	20,462	50.1%	10,251	220
Finance	19,149	29%	5,553	119
Healthcare	4,780	54%	2,581	55
Agro	1,822	20.96%	1,822	39
Properties	3,578	84%	3,006	65
Ciel & Others	8,276	100%	8,276	178
Eliminations	(8,334)	100%	(8,334)	(179)
Total EV	**62,398**		**35,821**	770
Net debt	12,064		12,064	259
Implied equity	50,334		23,756	511
Conglomerate discount	0	5%	(1,188)	(26)
Implied equity after disc	50,334		22,568	485
Shares	1,688		1,688	
Fair Value per share (MUR)	**29.83**		**13.37**	0.29

FX MUR USD translation values at date of note.

Sources: ACF Equity Research Estimates; management discussions

Exhibit 30: **Textile – Cash Flow Model**

Ciel Textile MUR (m)	2024E	2025E	2026E	
Total revenue	17,653	19,613	20,997	
EBITDA	1,324	1,667	1,890	
Working capital	168	187	200	
Maintenance Capex	466	402	335	
Cash flow pre-tax	690	1,078	1,355	
Taxes	99	139	164	TV
Cash flow after-tax	591	939	1,190	15,677
NPV	548	779	882	10,381
Total NPV	12,590			
% interest	100%			
Total NPV attributable to shareholders	**12,590**			

Sources: ACF Equity Research Estimates; management discussions

Exhibit 31: **Hotels & Resorts – Cash Flow Model**

Ciel Hotels & Resorts MUR (m)	2024E	2025E	2026E	
Total revenue	8,591	8,770	8,946	
EBITDA	2,320	2,368	2,505	
Working capital	71	72	74	
Maintenance Capex	306	321	346	
Cash flow pre-tax	1,943	1,974	2,085	
Taxes	210	228	258	TV
Cash flow after-tax	1,732	1,747	1,827	24,065
NPV	1,607	1,448	1,354	15,936
Total NPV	20,346			
% interest	48%			
Total NPV attributable to shareholders	**9,766**			

Sources: ACF Equity Research Estimates; management discussions

Exhibit 32: **Finance – Cash Flow Model**

Ciel Finance MUR (m)	2024E	2025E	2026E	
Total revenue	5,385	5,816	6,282	
EBITDA	1,723	2,036	2,261	
Working capital	12	12	13	
Maintenance Capex	175	176	179	
Cash flow pre-tax	1,537	1,847	2,069	
Taxes	228	284	322	TV
Cash flow after-tax	1,308	1,563	1,747	23,005
NPV	1,214	1,296	1,294	15,234
Total NPV	19,039			
% interest	29%			
Total NPV attributable to shareholders	**5,521**			

Sources: ACF Equity Research Estimates; management discussions

Exhibit 33: **Healthcare – Cash Flow Model**

Ciel Healthcare MUR (m)	2024E	2025E	2026E	
Total revenue	4,377	5,113	5,533	
EBITDA	875	1,074	1,217	
Working capital	165	192	208	
Maintenance Capex	929	621	376	
Cash flow pre-tax	-218	260	633	
Taxes	76	99	116	TV
Cash flow after-tax	-294	161	517	6,803
NPV	-273	134	383	4,505
Total NPV	4,748			
% interest	54%			
Total NPV attributable to shareholders	**2,564**			

Sources: ACF Equity Research Estimates; management discussions

Exhibit 34: **CIEL & Others – Cash Flow Model**

Ciel & Others MUR (m)	2024E	2025E	2026E	
Total revenue	1,131	1,300	1,495	
EBITDA	746	858	987	
Working capital	169	195	224	
Maintenance Capex	0	0	0	
Cash flow pre-tax	577	664	763	
Taxes	5	6	7	TV
Cash flow after-tax	572	657	756	9,955
NPV	530	545	560	6,592
Total NPV	8,228			
% interest	100%			
Total NPV attributable to shareholders	**8,228**			

Sources: ACF Equity Research Estimates; management discussions

Peer Group – Small & Mid-cap

Exhibit 35: **Trailing CIEL mid-cap peer group metrics**

TTM Metrics / Company Name	Market	Tkr	MCAP US$(m)	EV $(m)	EV / REVS	EV / EBITDA	EV / FCF	EV / NI	PER	P/ sales	P/ book
CIEL Group	**SEMDEX**	**CIEL**	**250**	**507**	**0.67x**	**3.33x**	**6.75x**	**8.88x**	**4.39x**	**0.33x**	**1.64x**
Vector Group	XNYS	VGR	1,594	2,552	1.79x	6.88x	13.94x	14.69x	8.76x	1.12x	N/M
Steel Partners	XNYS	SPLP	818	523	0.28x	2.23x	N/M	2.86x	N/M	0.44x	0.55x
National Presto Inds	XNYS	NPK	532	472	1.32x	14.29x	12.22x	20.04x	22.65x	1.56x	1.68x
Live Ventures	XNAS	LIVE	79	250	0.62x	14.10x	14.48x	N/M	N/M	0.19x	0.82x
Average					**1.00x**	**9.38x**	**13.55x**	**12.53x**	**15.71x**	**0.83x**	**1.02x**
Median					**0.97x**	**10.49x**	**13.94x**	**14.69x**	**15.71x**	**0.78x**	**0.82x**

Sources: ACF Equity Research; Refinitiv.

CIEL does not make up a constituent of our average or median values in the peer group metrics at the bottom of exhibit 35 We have excluded CIEL from these values to make comparison with the rest of the peer group as clean and undistorted as possible.

In our peers we have selected two scales of diversified industrial (conglomerate) peers - small/mid cap and large cap - to show a range of market trading multiples for this class of company.

We have also examined individual cluster multiples as sanity checks, but these are not presented in this note. We suggest that conglomerate businesses are the most useful peers for valuation comparison.

We have selected peers that are diversified across multiple ostensibly unrelated industries as well as diversified within complex single sectors to capture elements of the market valuation dynamics of CIEL. Unsurprisingly, it was not possible to find directly comparable peers to CIEL in public markets.

Peer Group Selection – Small & Mid-cap

We have selected peers that are diversified across multiple, ostensibly unrelate, industries as well as diversified within complex single sectors to capture elements of the market valuation dynamics of CIEL.

Vector Group Ltd. (VGR : **NYSE** listed) is a diversified entity based in Miami, FL, USA established in 1873 (150 years ago). VGR operates in two segments: **real estate** and the **manufacturing** and sales of **tobacco** (via its subsidiaries Liggett Group LLC and Vector Tobacco Inc.). **Real Estate**: VGR engages in real estate investments, hotels, commercial and residential buildings. **Tobacco/Agriculture**: VGR produces cigarettes under the names - EAGLE 20's, Pyramid, Montego, Grand Prix, Liggett Select, Eve and USA brand names; selling to wholesalers and distributors as well as grocery stores (supermarkets), drug stores (pharmacies) and convenience stores (corner shops/mini-marts/off-licenses). VGR was formerly known as Brooke Group Ltd. and changed its name in May 2000.

Steel Partners Holdings L.P. (SPLP-PR : **NYSE** listed) is a diversified global conglomerate based in NY, USA established in 1990 (33 years ago). SPLP operates in diversified industrial, energy and financial services segments and via its subsidiaries. **Diversified industrial:** SPLP produces alloys, stainless-steel tubing coils, fasteners and adhesives for roofing, speciality woven materials and repairs services for food processing. **Energy:** SPLP offers advanced solutions in power electronics, motion control, speciality LED lighting, telecom applications, insulation for PV, and laminated and metallised films for imaging in aerospace. It also provides oil and gas drilling services. **Financial services:** SPLP focuses on consumer and small business loans, credit card issuance and other retail and commercial banking solutions.

National Presto Industries Inc. (NPK : **NYSE** listed) is a diversified entity based in Eau Claire, WI, USA established in 1905 (118 years ago). NPK operates in three segments, Housewares/Small Appliances, Defense and Safety. **Housewares/Small Appliances:** NPK offers a range of products including pressure cookers, electric skillets, slow cookers, air fryers and coffee makers under the Pest Control Market brand, to retailers and independent distributors. **Defense:** NPK manufacturers 40mm ammunition, precision components and military grade detonators to the US Dept. of Defense and its contractors. **Safety:** NPK specialises in safeguarding systems for pharmaceutics and foods in refrigerators and freezers.

Live Ventures Inc. (LIVE: **NYSE** listed) is a diversified entity based in Las Vegas, NV, USA established in 1968 (55 years ago). LIVE operates in flooring and steel manufacturing and retail. **Flooring:** LIVE produces and sells **carpets, rugs, yarn** products, hard surface flooring to residential, commercial, **hospitality markets** and direct consumers. **Steel manufacturing:** LIVE manufacturers and sells deluxe alloy and tools products for distributors and service centres. **Retail:** LIVE has 63 **entertainment** stores (Vintage Stock, V-Stock, Movie Trading Co, EntertainMart) across the US offering movies, video games, music and collectibles.

Peer Group – Large-cap

Exhibit 36: **Trailing CIEL large-cap peer group metrics**

TTM Metrics / Company Name	Market	Tkr	MCAP US$(m)	EV $(m)	EV / REVS	EV / EBITDA	EV / FCF	EV / NI	PER	P/ sales	P/ book
CIEL Group	**SEMDEX**	**CIEL**	**250**	**507**	**0.67x**	**3.33x**	**6.75x**	**8.88x**	**4.39x**	**0.33x**	**1.64x**
3M Company	XNYS	MMM	51,213	61,540	1.88x	N/M	11.35x	N/M	N/M	1.57x	10.78x
Koninklijke Philips N.V	XNYS	PHG	18,135	25,391	1.37x	N/M	23.21x	N/M	N/M	0.91x	1.56x
Danaher Corporation	XNYS	DHR	178,539	191,077	7.65x	26.29x	33.40x	40.11x	37.50x	7.15x	3.41x
Siemens Energy AG	XFRA	ENR0	12,042	10,499	0.31x	15.44x	68.09x	N/M	N/M	0.35x	1.28x
Average					**2.80x**	**20.86x**	**34.01x**	**40.11x**	**37.50x**	**2.50x**	**4.26x**
Median					**1.63x**	**20.86x**	**28.30x**	**40.11x**	**37.50x**	**1.24x**	**2.49x**

Sources: ACF Equity Research; Refinitiv.

CIEL does not make up a constituent of our average or median values in the peer group metrics at the bottom of exhibit 36. We have excluded CIEL from these values to make comparison with the rest of the peer group as clean and undistorted as possible.

In our peers we have selected two scales of diversified industrial (conglomerate) peers - small/mid cap and large cap - to show a range of market trading multiples for this class of company.

We have also examined individual cluster multiples as sanity checks, but these are not presented in this note. We suggest that conglomerate businesses are the most useful peers for valuation comparison.

We have selected peers that are diversified across multiple ostensibly unrelated industries as well as diversified within complex single sectors to capture elements of the market valuation dynamics of CIEL. Unsurprisingly, it was not possible to find directly comparable peers to CIEL in public markets.

Peer Group Selection – Large-cap

We have selected peers that are diversified across multiple, ostensibly unrelate, industries as well as diversified within complex single sectors to capture elements of the market valuation dynamics of CIEL.

3M Company (MMM : **NYSE** listed) is a diversified technology company based in St. Paul, MN, USA established in 1902 (121 years ago). MMM operates in Safety and Industrial; Transportation and Electronics, Healthcare, and Consumer distributing its products globally via e-commerce and traditional channels. **Safety and Industrial:** Produces industrial abrasives, adhesives, PPE and electrical solutions. **Transportation and Electronics:** Provides ceramic materials, graphic films, electronic assembly for vehicle and highway safety. **Healthcare:** Delivers innovative products in food safety, health care software, skin and wound care, dental solutions and filtration systems. **Consumer:** Focuses on everyday items, e.g. bandages/home cleaning/stationery.

Koninklijke Philips N.V. (PHG : **NYSE** listed) is a diversified healthtech company based in Amsterdam, the Netherlands established in 1891 (132 years ago). PHG operates in Diagnosis & Treatment, Connected Care and Personal Health businesses. **Diagnosis & Treatment:** Offers advanced diagnostic solutions, e.g. MRI, CT, X-ray and nuclear medicine. PHG focuses on acute management, emergency care, sleep and respiratory care solutions, and electronic medical and care management systems. **Connected Care:** PHG has a collaboration with Ibex Medical Analytics Ltd. to promote digital pathology and AI solutions to hospitals, health networks, and pathology labs worldwide, and a strategic partnership agreement with NICO.LAB. **Personal Health:** Provides power toothbrushes, infant feeding solutions, and grooming products. PHG was formerly known as Koninklijke Philips Electronics N.V. and changed its name in May 2013.

Danaher Corporation (DHR : **NYSE** listed) is a diversified industrial company based in Washington, D.C., USA established in 1969 (54 years ago). DHR operates in Life Sciences, Diagnostics and Environmental & Applied Solutions. **Life Sciences:** Offers cutting-edge technologies, e.g. mass spectrometry, flow cytometry and genomics to pharma, biopharma, F&B, academic & research institutions. **Diagnostics:** Delivers chemistry, immunoassay, microbiology systems, haematology products to hospitals, labs and critical care. **Environmental & Applied Solutions:** Focuses on water analysis, treatment and management technologies for industries and consumers. DHR was formerly known as Diversified Mortgage Investors, Inc. and changed its name in 1984.

Siemens Energy AG (ENR0 : **FRA** listed) is a diversified industrial energy company based in Munich, Germany established in 1866 (157 years ago). ENR0 operates in Gas and Power and Siemens Gamesa Renewable Energy to utilities, power producers, O&G industry player, industrial and infrastructure entities. **Gas and Power:** Provides gas and steam turbines, generators and gas engines, maintenance, training and consulting for central and distributed power generation. **Siemens Gamesa Renewable Energy:** Provides cutting-edge design, engineering, manufacturing and installation solutions for onshore and offshore and turbines.

CIEL Financial Restatements

Exhibit 37: **Summary of Financial Restatements of Revenues & EBITDA**

Restated/Reclassified Line Items MUR'000	YE18A	YE19A	Material Formal Restatement EBITDA YE20A	Material De-facto Restatement EBITDA YE21A	Material De-facto Restatement EBITDA YE22A	ACF Central Tendency Forecast Restatement YE23
Revenues	22,608,499	24,206,459	21,923,000	17,868,627	28,524,594	35,408,595
Revenues restated	22,608,499	24,206,459	20,995,620	17,868,627	28,524,594	35,408,595
CIEL Original EBITDA	2,952,622	3,443,392	3,291,845	2,697,440	5,084,147	7,084,215
CIEL Reclassified EBITDA	2,952,622	3,443,392	3,052,694	2,407,739	5,269,199	6,744,999
Delta	0	0	**(239,151)**	**(289,701)**	**185,052**	**(339,216)**
Delta %	0.00%	0.00%	-7.26%	-10.74%	3.64%	-4.79%
EBITDA Margin	13.06%	14.23%	15.02%	15.10%	17.82%	20.01%
EBITDA Margin de-facto restated	13.06%	14.23%	14.54%	13.47%	18.47%	19.05%
Delta PP	0.0%	0.0%	-0.5%	-1.6%	0.6%	-1.0%
Delta basis points	0.0	0.0	-47.6	-162.1	64.9	-95.8

Key

CIEL numbers restated

ACF central tendency forecast

Sources: ACF Estimates; Company reports; Management discussions

The exhibit above captures CIEL revenue and EBITDA items since YE18A through to YE23A that have been restated. It also captures our forecast central tendency for the impact of a restatement in EBITDA if it were to occur for 2023A in the YE24A accounts.

Reorganisation costs – YE19, YE20, YE21 and YE22 – management description

•YE19A and YE20A – Reorganisation costs were linked to COVID years where management had to take material operational decisions to reduce costs in order to maintain the business as a going concern. These were shown separately due to their materiality and exceptional nature.

•YE21A - This was linked to the relocation cost of a textile factory (CFL -Solitude factory) from Mauritius to Madagascar and not on any COVID impact. It was shown separately in order that it was aligned to the 2020 reorganisation cost caption I.e consistent with the comparative classification.

•YE22A - There were no reorganisation costs in this period and so the reorganisation costs of YE21A were reclassified above EBITDA line.

Fair Value (revaluation) of Investment Properties YE22A – management description

Mauritius has obliged public companies since at least 2001 to use a globally well accepted financial reporting standard (IFRS) – a positive regulatory decision for investors, in our view.

•YE21A - Exceptional revaluation MUR 1bn of investment property in the property cluster. In this accounting period the Ferney land asset was transferred to an SPV that now holds the Smart City development certificates. Thus, due to the material nature, this transfer was classified below the EBITDA line together with other group investment properties.

•YE22A – Investment properties fair values were shown below the EBITDA line, despite not being material in nature, so that it was aligned with 2021 comparatives.

•YE23A - Investment properties fair values were added back to EBITDA as, in management's judgement they returned to within the normal course of business.

The exhibit above captures CIEL revenue and EBITDA items since YE18A through to YE23A that have been restated. It also captures our forecast central tendency for the impact of a restatement in EBITDA if it were to occur for 2023A in the YE24A accounts.

Key reminders for investors - Investors should note that valuation of property portfolios annually is a positive, they are volatile assets. For example, in the UK, public companies generally revalue their property portfolios every year at balance sheet date under FRS 102.

In the US there is an obligation to revalue property portfolios every 12 months and this is driven largely by IFRS concepts and where corporates are not using USGAAP it is governed by IAS 16 (Property, Plant and Equipment) and IAS 40 (Investment Property - assets held for rental income or capital appreciation).

EBITDA – Investors should note that EBITDA is designed to be a proxy for cash, as such all non-cash items should be below the EBITDA line. Property re-valuations as non-cash items are not best captured in EBTIDA. For ease of investor understanding, all non-cash items should be below the EBITDA line. Within the CIEL reporting documents made available to investors there are multiple EBITDA definitions and values of EBITDA.

Multiple restatements (material or immaterial) prevent investors from easily assessing company performance over time and so this is neither helpful nor useful for investors.

CIEL EBITDA definitions also vary across time periods so that a value in one audit year may be redefined and restated in the year end comparative column for the following year – in the generalised case there is no statutory issue as under IFRS reporting standards, EBITDA is **not a statutory number** and so it is entirely up to management how it is presented, defined and described.

Investors should note that CIEL does, in our experience, answer questions responsively but that it would be better practice, if the accounts and other published materials did not require these questions to be posed.

As an independent research house, we take the view that: **1)** non-statutory financial accounting numbers require a commonly accepted approach (definition) for investors and that **2)** CIEL's reclassifications are to be treated by ACF as restatements as would be expected by investors and that **3)** these restatements (or 'reclassifications') deserve 'due prominence'.

CIEL Group finance prefers to refer (in general) to non-statutory restated items as re-classifications and does not believe that its 're-classifications' should be subject to any form of 'due prominence' test. Investors must make their own decisions on this matter and should note that ACF Equity Research neither agrees with nor supports CIEL's approach to reclassification rather than restatements or due prominence.

Mauritius has obliged public companies since at least 2001 to use a globally well accepted financial reporting standard (IFRS) – a positive regulatory decision for investors, in our view.

Mauritian context for financial reporting – IFRS a respected global standard - In our view Mauritius, by adopting the IFRS framework, has picked a highly respected standard with broad global acceptance by investors – like all accounting standards IFRS comes with its own strengths and weaknesses.

CIEL adopts the IFRS standards as required under the Mauritian Companies Act 2001 (last updated 2021) for all public (listed) companies – there is no revenue threshold for IFRS adoption for public companies such as CIEL.

Oversight of implementation of the IFRS standards is carried by the Financial Reporting Council (FRC) of Mauritius, a statutory entity created under the Mauritian Financial Reporting Act 2004.

Financial Projections - Group

P&L MUR (m)	2022A	2023A	2024E	2025E	2026E
Revs	**28,525**	**35,409**	**36,409**	**39,884**	**42,532**
gr%		24.13%	2.83%	9.54%	6.64%
Total Expenses	23,255	28,324	30,204	32,694	34,516
EBITDA	5,269	7,084	6,205	7,190	8,016
% Revs	18.47%	20.01%	17.04%	18.03%	18.85%
EBITDA adj.	**5,271**	**7,184**	**6,205**	**7,190**	**8,016**
% Revs	18.48%	20.29%	17.04%	18.03%	18.85%
EBIT	**3,879**	**5,691**	**4,591**	**5,438**	**6,160**
EBT	3,170	5,130	4,007	4,882	5,617
% Revs	11.11%	14.49%	11.01%	12.24%	13.21%
ETR	17.18%	16.15%	14.33%	14.46%	14.46%
NI attrib.	**1,300**	**2,653**	**2,135**	**2,661**	**3,089**
% Revs	4.56%	7.49%	5.87%	6.67%	7.26%
Diluted Grp EPS (p)	1.39	2.55	2.03	2.47	2.85
Basic EPS (p) attrib.	0.77	1.57	1.27	1.58	1.83
Diluted EPS (p) attrib.	0.77	1.57	1.27	1.58	1.83
Balance Sheet MUR (m)	2022A	2023A	2024E	2025E	2026E
PP&E	25,495	27,936	28,344	28,168	27,585
Total Fixed Assets	**56,434**	**59,477**	**61,375**	**62,412**	**63,007**
Current assets	29,035	26,872	27,861	29,700	31,371
Cash	12,702	11,709	12,289	14,371	17,433
Total Current Assets	**41,737**	**38,581**	**40,149**	**44,071**	**48,803**
Total Assets	**98,171**	**98,058**	**101,525**	**106,483**	**111,810**
Creditors (Cust Deposits)	32,820	31,691	31,691	31,691	31,691
Other liabilities	6,194	6,451	6,451	6,451	6,451
Long Term Debt	10,076	10,196	10,196	10,196	10,196
Total Liabilities	**71,788**	**68,012**	**68,318**	**69,380**	**70,190**
Net Assets	**26,383**	**30,047**	**33,207**	**37,103**	**41,621**
Share Capital	5,141	5,141	5,141	5,141	5,141
Accum. Profit/(loss)	4,294	6,229	9,662	13,838	18,642
Total Equity	**26,383**	**30,047**	**33,207**	**37,103**	**41,621**
Total Equity & Liabilities	**98,171**	**98,058**	**101,525**	**106,483**	**111,810**
Basic NAVPS	10.50	12.38	14.25	16.56	19.24
Diluted NAVPS	10.50	12.38	14.25	16.56	19.24
Cash Flow MUR (m)	2022A	2023A	2024E	2025E	2026E
Profit/(loss)	2,626	4,302	3,433	4,176	4,805
Net CFO	3,976	6,936	4,947	5,707	6,343
Capex	-1,176	-1,948	-2,022	-1,576	-1,273
Cash Taxes	545	828	574	706	812
WCap change	-729	-408	-683	-777	-861
C&CE	**12,702**	**11,709**	**12,289**	**14,371**	**17,433**

Source: ACF Equity Research Estimates; Companies reports.

Risks to our Assumptions

Currency risk – The group revenue is heavily linked to the USD and EUR, which combined account for more than 50% of revenue. The rest of the exposure is balanced between GBP (Hospitality sector); Malagasy Ariary (BNI Bank), INR (Textiles) and Mauritian Rupee (Health Care & Property). Any unfavorable currency movement could result in losses for the company. Costs are majority denominated in the local currencies of production, whereas >50% of revenues are earned in so-called hard currencies such as USD, EUR and GBP.

Macroeconomic risk – The company's various businesses are tied to global growth. Any macroeconomic slowdown globally as well as in the regions where it operates is likely to adversely impact these businesses. For instance, the Textile cluster (contributing around 50% of YE23A Group revenue and 29% of Group EBITDA) has presence in India and Bangladesh but generates sales mainly via exports. Thus, it is highly dependent on a favorable global macroeconomic environment.

Competition risk - The company operates in highly competitive sectors such as textile, hospitality, and finance. There is always a risk of disruption from more innovative products with superior customer experience. Many of the competitors, with the arguable exception of Textiles, have greater financial resources and outside of Textiles, Hotels & Resorts and Sugar, more experience.

Compliance risk – Ciel Group operates in multiple jurisdictions and sectors with different regulatory frameworks. Failure to adhere to regulatory and compliance requirements could result in fines, revocation of relevant licenses and loss of revenue.

Personnel - Small and mid-sized companies are more dependent on their C-suite/executive management teams than large and mega-cap global companies. The loss of key personnel can have a disproportionate impact on valuation and investor perception compared to similar events at larger more mature (ex-growth) companies.

CIEL currently has a dynamic and effective CXO cohort leading its clusters. The board is also unusually rich in leadership skills and qualities. The loss of certain of these key personnel is likely to have a material impact on current and future valuation.

Liquidity risk – The Mauritian equity market is a small local market with a recognisable rule book for international investors from much larger markets. However, liquidity is low and the market appears to be somewhat isolated 'mechanically' from the general global pool of capital. This could mean that our valuation never crystallises even if the company delivers because market depth is insufficient to create liquidity levels required by many international institutions.

Glossary

Alteo	Alteo Group – company engaged in production of sugar in Mauritius, Tanzania and Kenya.
Ambre	Ambre Resort – 4-star SunLife (SUN) resort in Mauritius.
Anahita	Anahita Mauritius – Alteo Group's property cluster flagship project consisting of a golf resort, residential & leisure estates.
Aquarelle	Aquarelle Clothing ltd – member of CIEL, producing apparel.
Bank One	Bank One Mauritius – full service commercial bank jointly owned by CIEL and I&M.
BNI	Bankin'ny Indostria (BNI) – oldest banking institution in Mauritius, 53% owned by CIEL.
CAGR	Compounded Annual Growth Rate – average annual growth rate of an investment over a period longer than one year.
C-Care	C-Care – leading healthcare provider in Mauritius and the region owned by CIEL.
CDL	CDL Knits – quality fine knits producers owned by CIEL.
CIEL	Ciel Limited – the subject company of this ACF Equity Research research note.
COVID	Corona Virus Disease 2019 caused by the Sars-Cov2 virus, is 6.9m deaths world-wide.
EBIT	Earnings before interest and tax (also often referred to or equates to operating profit).
EBITDA	Earnings before interest, depreciation and amortisation – the presentation of EBITDA by companies is not a requirement of UK GAAP or IFRS accounting standards. However, in certain cases it can act as a close proxy to free cash flow.
EBT	Earnings before tax. Also often expressed as profit before tax.
EPS	Earnings Per Share – value of earnings per outstanding share of common stock.
Evolis	Evolis – CIEL's mixed-use property investment vehicle.

ESG	Environmental, Social and Governance – quantifiable metrics used to screen a company's sustainable business activities.
ETR	Effective Tax Rate – the % (percent) of income a corporation (or individual) pays in taxes.
FCF	Free Cash Flow generated in ACF's models after all obligatory cash costs have been satisfied such as Interest payable (Ip), cash taxes and maintenance capex (as opposed to investment capex). FCF represents the cash remaining for theoretical distribution or investment after all obligatory cash-based costs including net interest payable have been deducted.
Ferney	Vallée de Ferney – a forest and wildlife district in Mauritius.
Four Seasons	Four Seasons Resort – 5-star luxury resort in Mauritius partnered with CIEL.
FSM	Ferney Spinning Mill – woollen yarn spinning mills in Mauritius owned by CIEL.
GDP	Gross Domestic Product – monetary measure of the market value of goods and services produced during a specific time period by a country/ies.
I&M	I&M Bank Kenya Ltd - commercial bank in Kenya.
Laguna	Laguna Clothing – woven fabric producer.
La Pirogue	La Pirogue Resort – 4-star SunLife resort in Mauritius.
Long Beach	Long Beach Resort – 5-star SunLife resort in Mauritius.
MCap	Market Capitalization – total value of a publicly traded company's outstanding shares (formula = NoSh * s/p).
Mitco	Mauritius International Trust Co. Ltd. – subsidiary of CIEL.
Miwa	Miwa Sugar Ltd. – Mauritius based holding co. engaged in sugar operations in Tanzania and Kenya.
MSS	Mauritius Sugar Syndicate – non-profit organisation working towards optimising sugar producers' revenues.

MUR	Mauritius rupee – official currency of Mauritius (RS1=US$0.022).
NoSh	Number of Shares in issue (NoSh).
NPV	Net Present Value (NPV) refers to the current value of future cash flows generated by the project
SEMDEX	Stock Exchange of Mauritius – Mauritius' primary exchange.
Shangri-La	Shangri-La Mauritius – 5-star luxury resort partnered with CIEL.
Shareholders' Equity	Shareholders equity is a line on the balance sheet calculated from the deduction of total liabilities from total assets and represents the value (or lack of it) available for distribution to shareholders should the entity wind up operations. It differs from the equity value expressed in market capitalisation (MCap), which is number of shares in issue (NoSh) multiplied by share price. The ratio Debt/Equity commonly uses the Debt/MCap formula as opposed to the Debt/Shareholder equity formula.
SUN	SunLife Hotel Management – 45= years in the industry in Mauritius.
WACC	Refers to the weighted average cost of capital for the firm.

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Managing Director
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