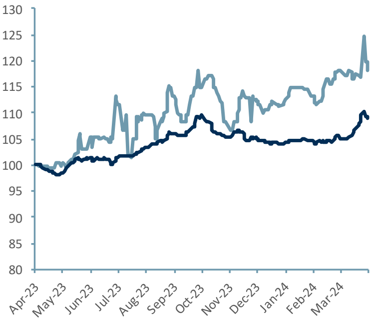
UPDATE

1H24A

VALUE RANGE

10.21 – 10.74



Price relative CIEL (lighter line) vs. SEMDEX market. Note minor valuation decrease due to increase in NoSh in issue to 1,689,561,000. Close prices as at date of note.

Friday, 05 April 2024

Intrinsic Price (m)	10.42
Value Range Low (m)	10.16
Value Range High (m)	10.68
Implied MCAP (m)	17,573
Implied EV (m)	29,579
SEMDEX	CIEL
Year End	30-Jun
Currency	MUR

Business Activity

Conglomerate

Key Metrics	
Close Price MUR (m)	7.30
MCAP MUR	12,334
Net Debt (Cash) (m)	12,006
EV (m)	24,340
52 Wk Hi	7.48
52 Wk Lo	6.14
Key Ratios	
Net Debt / Equity Value %	97%
FX USD / MUR	45.00

Industrials Sector Research
SEMDEX Market Index
Analyst Team
+44 20 7419 7928
research@acfequityresearch.com

Ciel Limited – Great Opportunities

The Finance Cluster

CIEL Limited (SEMDEX: CIEL) is a Mauritius listed diversified industrial company. In this update we focus on CIEL's Finance Cluster which in 1H24 accounted for 35.9% of Group (Grp) FCF, 25.8% of Grp EBITDA and 15.5% of Grp revenues. CIEL has a diversified international growth portfolio of 25 companies across 6 'clusters' - Textile, Properties, Healthcare, Hotels & Resorts, Agro and Finance. CIEL's geographical footprint spreads across 10 emerging markets in Asia and Africa. CIEL Finance 1H24A delivered 11.5% rev growth y/y and 51.4% of our revs YE24 CIEL Finance forecast; 1H24A EBTIDA MUR 1.051bn up 59% y/y and 60% of our YE24 forecast; 1H24A FCF margin 23.8% at MUR 661bn and 42.3% of our YE24 CIEL Finance forecast.

- EBITDA 1H24A MUR 1.051bn, up 59%, margin 37.9% up 11.3pp y/y;
- FCF 1H24 MUR 0.661bn, margin 23.8% vs. ACF forecast 24.3%;
- BNI Madagascar accounts for ~56%% of our forecast revs;
- Bank One Mauritius accounts for ~44% of our forecast revs;
- BNI RoE 33.1% vs. Bank One RoE 17.1%.

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	0.7x	3.9x	8.3x	5.8x	5.8x	4.2x	4.2x
2025E	0.6x	3.4x	5.9x	4.6x	4.6x	3.0x	3.0x

TABLE OF CONTENTS

TABLE OF EXHIBITS

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	1,690	1,690
Implied Intrinsic Price	7.55	7.55
Value Range Low	7.36	7.36
Value Range High	7.73	7.73
OTC	CIEL	
Financial YE	30-Jun	
Reporting Currency	MUR	
NoSh (m)		1,690
NoSh (m) expected dilution (Exp D)		1,690
NoSh (m) full dilution (FD)		1,690

Key Metrics	MUR	adj.
MCAP MUR (m)	12,334	12,334
Net Debt (Cash) (m)	12,006	12,006
EV (m)	24,340	24,340
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	4.2x	2.98
P/CPS (Exp D)	4.2x	2.98
P/CPS (FD)	4.2x	2.98

Investment Case CIEL Group

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 (45% of 1H24A 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 48% of revs in USD and EUR 1H24A vs. 50% YE23A. CIEL has stakes in over 25 companies organised in clusters across six sectors - **Textile, Properties, Healthcare, Hotels & Resorts, Agro (sugar) and Finance.** The combined asset value of CIEL's portfolio 1Q24A was MUR 23.1bn.

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, (55% 1H24A and 60% 1H23A) remains a key differentiator.

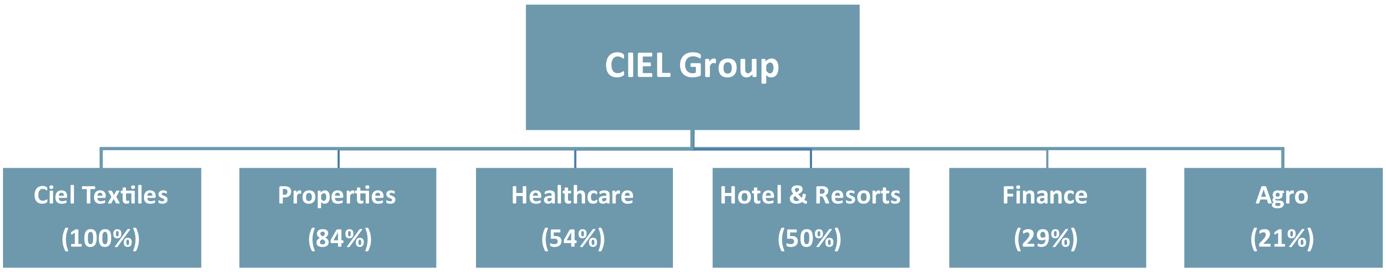
International markets: CIEL's positioning in international markets and strategic segments has led to a nearly 2x increase by YE23A in the asset valuation of the portfolio since fiscal 2014. CIEL's long-term investment approach, underpinned by sector and regional diversification, also differentiates it.

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 Structure

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, Agro and Finance. CIEL holds a portfolio of brands under each of its six clusters as shown in the exhibit below.

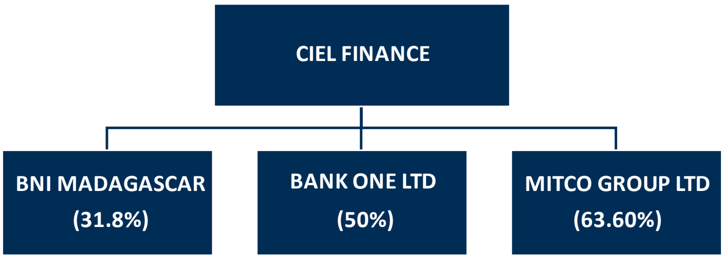
Exhibit 2: **Portfolio - brands across 6 clusters w/ % contribution to AV**

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.

Exhibit 3: **CIEL Finance cluster – operating structure**



Sources: ACF Equity Research; Company Reports.

CIEL Finance – Profitable, Ambitious & Growing

CIEL Finance - Ciel Finance is the banking and financial services cluster of CIEL, actively involved in banking, digital financial and fiduciary services. CIEL Finance operates two banks and one Fiduciary and Corporate Services company (Mitco). The segment has around 1,600 employees generating revenues of MUR 3.21m per head and EBITDA of MUR 1m per head.

There are three core assets, BNI Madagascar (31.8% stake, 66% of revenues), Bank One (50% stake, 33% of revenues) 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).

Management discipline - Ciel Finance's 95% stake in its asset management business, IPRO, was sold to Gavekal for ~USD 2m in an all-cash deal, which closed 2Q22A (Jul 2022). IPRO made up 2.3% of the total portfolio. Ciel Finance withdrew from its debt free but loss-making stockbroking business (LCF Securities – 0.1% of total portfolio) in 1Q23A (Feb 2023), selling its 23% stake to majority shareholder LCF Holdings for USD 22k, no liabilities were assumed by Ciel Finance.

CIEL Finance summary performance - The Finance cluster reported **YE23A** revenues of MUR 5,129m (up 13% y/y) and PAT of MUR 1,085m (up 54% y/y). **1H24A** - revenues were MUR 2,770m (up 11.5% y/y); EBITDA MUR 1,051m, up 59% y/y and margin 37.9% vs. 26.6% up 11.3pp y/y; PAT MUR 783m up 48%, margin 28.2% vs. 21.3% up 6.9pp y/y; FCF margin 23.8%.

YE23A Bank One witnessed strong credit growth and reversal of provisions. Similarly, BNI Madagascar benefited from higher interest rate margins. BNI RoE for the 12m period to 31 Dec 23 was reported as 33.1% and a capital adequacy ratio (CAR) of 12.7%. For the same period Bank One reported RoE 17.1% and CAR 16.9%

As of the 31 Dec 2023 the CAR in Madagascar has been raised to 10.5%. BNI reported a CAR of 12.7% in response to this change. At June 30, 2022, BNI had a capital adequacy ratio (CAR) of 10% as against the regulatory requirement in Madagascar of 8%.

CIEL Finance's Madagascan Growth Engine

Madagascar is the growth and profit driver for CIEL Finance - PAT of the banks, BNI and Bank One for the 12 months, before attribution to shareholders was, BNI PAT YE 31 Dec 2023 MUR 1.4bn, Bank One PAT YE 31 Dec 2023 MUR 660m (source 1H24A analysts' results presentation)

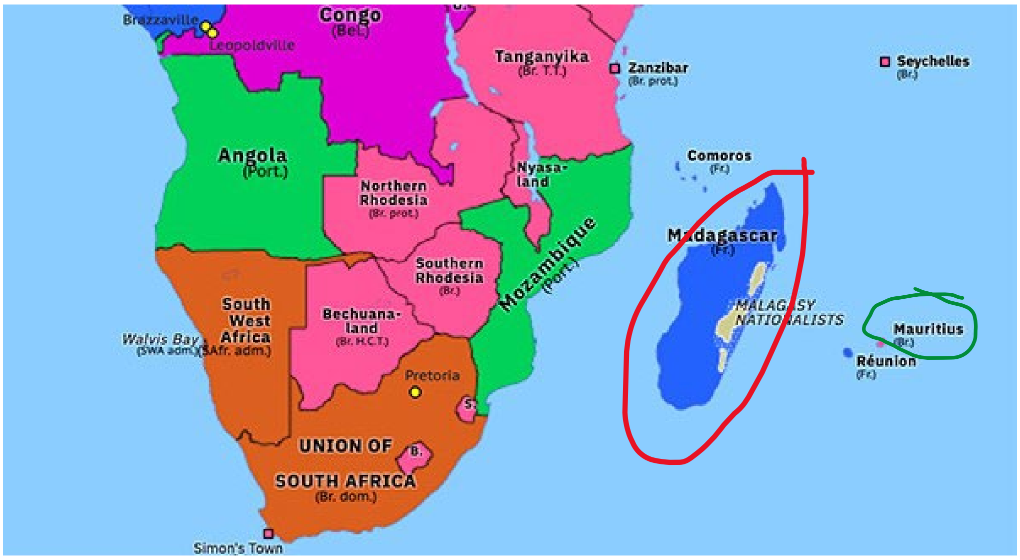
Comparative historical GDP growth data belies both the Madagascar opportunity and the expectations over the next 5 years. GDP is forecast to grow from around US$ 16bn in 2023 to over 23bn by 2028.

Population is expected to expand by more than 10% over the next 5 years.

40% of the population is under 14 years and the median age is 18.8 years, suggesting a major expansion of the addressable banking market over the next 5 years.

Just 2% of the population has a credit card and 4.5% a debit card, but internet access via mobile phone is probably around 50%.

Exhibit 4: **Where is Madagascar?**



Sources: ACF Equity Research; Company Reports.

BNI's aim is to grow its 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 (NPLs). The NPLs are driving management to reassess and re-segment credit worthiness in its target markets.

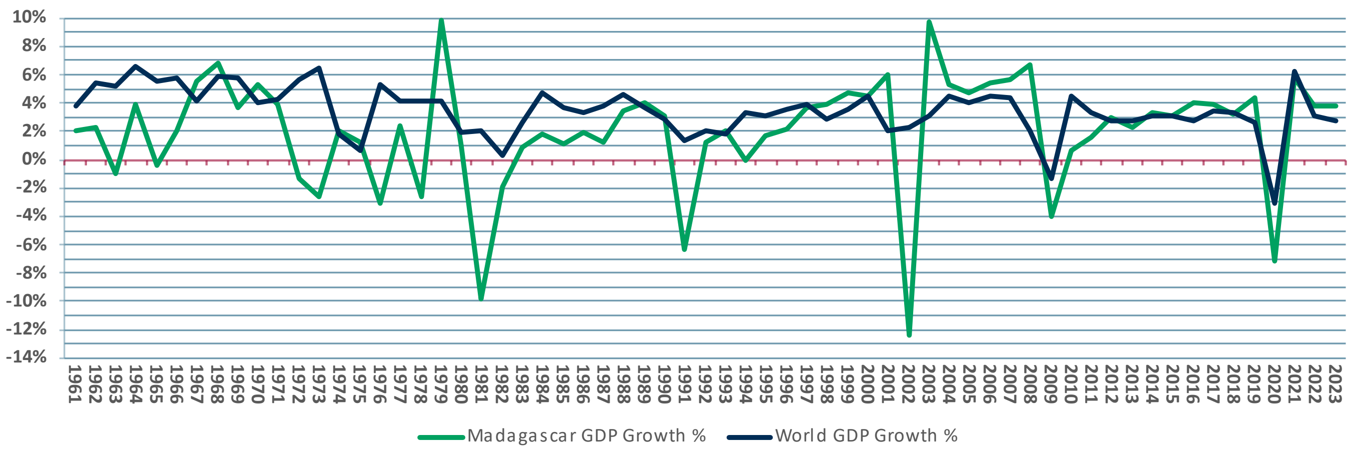
It should be noted by investors that BNI Madagascar has re-defined its strategy to focus on improving margins and capital optimization in response to the non-performing element of the loan book and the increase in the CAR to 10.5% up from 8%.

Exhibit 5: **Madagascar – understanding the opportunity – key metrics**

Comparison	Pop m 2022	Surface area sq. km '000 2020	Pop density per sq. km 2020	*GNI, Atlas method US$ bn 2022	*GNI per capita, Atlas method US$ 2022	PPP *GNI US$ bn 2022	PPP *GNI per capita US$ 2022	GDP % growth 2022	GDP per capita % growth 2022
Madagascar	29.6	587.3	49	15	510	51	1,730	3.80	1.36
Mauritius	1.3	2.0	634	13	10,360	33	26,450	8.88	9.21
World	7,951	134,732	60	102,333	12,871	165,743	20,846	3.09	2.28
East Asia & Pacific	2,375	24,831	97	32,074	13,504	53,319	22,449	2.88	2.67
Europe & Central Asia	920	28,814	34	26,237	28,507	41,668	45,273	3.12	3.48
Latin America & Caribbean	659	20,523	32	5,783	8,771	12,520	18,990	3.89	3.21
Middle East & North Africa	493	11,386	43	4,100	8,311	9,709	19,682	5.99	4.46
North America	372	19,716	20	27,669	74,324	28,350	76,152	2.08	1.54
South Asia	1,919	5,135	395	4,382	2,283	15,016	7,824	6.49	5.52
Sub-Saharan Africa	1,211	24,328	48	1,995	1,647	5,222	4,311	3.59	1.02
Low income	704	15,029	45	503	715	1,550	2,203	3.41	0.70
Lower middle income	3,190	24,782	130	8,061	2,527	26,511	8,310	5.20	4.12
Upper middle income	2,784	56,293	50	29,369	10,548	58,916	21,160	3.12	2.82
High income	1,244	37,716	35	64,047	51,469	78,316	62,936	2.79	2.53

Sources: ACF Equity Research Graphics; World Bank; National statistics offices

Exhibit 6: **Madagascar GDP growth % vs. World GDP 1961-2023**



Sources: ACF Equity Research Graphics; World Bank, World Development Indicators

Malagasy GDP per capita growth in 2022 (MRV) was only slightly lower than North America and was ~33% higher than the Sub-Saharan Africa region, according to World Bank data. Mobile penetration is around 50% and GDP growth is currently higher than the global average. ROE for banks in the Madagascan market are consistently attractive (in our view).

Malagasy retail deposit market - Implementation of a more financially efficient BNI business model and rising interest rates combined with structurally low-competition in the Malagasy retail deposit market should drive improvements in BNI RoE. The peak of the interest rate cycle has probably been reached. Investors should note that as at 31 Dec 2023, BNI held MUR 33bn of consolidated (retail + commercial) deposits equating to ~28% market share.

Comparative historical GDP growth data belies both the Madagascar opportunity and the expectations over the next 5 years. GDP is forecast to grow from around US$ 16bn in 2023 to over 23bn by 2028.

Population is expected to expand by more than 10% over the next 5 years.

40% of the population is under 14 years and the median age is 18.8 years, suggesting a major expansion of the addressable banking market over the next 5 years.

Just 2% of the population has a credit card and 4.5% a debit card, but internet access via mobile phone is probably around 50%.

According to Ciel Finance, the interest paid on retail deposits is relatively lower than that paid on corporate deposits. Most banks in the Malagasy market do not pay material interest on retail deposits. Based on our research and management discussions we believe this is related to the average savings ratio, which we infer is low (perhaps 30 days or less (4-6 weeks cost of living)), meaning there is little real market demand for deposit interest in the retail sector.

Average savings inference – based on a range of data sources including expat relocation databases (survey based) that also provide living expenses for locals and average rural and urban local salaries alongside. The databases provide a range of urban salary estimates ranging from USD 215-670 pcm and rural salary estimates ranging from USD 80-250 pcm. Cost of living estimates for locals vary but seem to rest between USD 250-500 pcm. According to the World Bank, Malagasy GDP per capita (MRY 2022) was USD 516. We assume a current population of ~30m (UNDESA 2022 estimate 29m; other sources 2024 ~31m).

If we assume the lowest monthly living cost for locals we could find, USD 250, and we assume the highest average salary range for locals we could find at USD 670 pcm, the annual savings rate to reach USD 250 (savings to meet one month's basic cost of living) would be 3.1%. For 90 days this savings rate would rise to 9.3%.

Adjusted net savings per capita for Madagascar in 2020 were USD -22.87 (source: Our World in Data). South Africa's savings ratio was estimated at -0.7% (September 2023, Trading Economics). Broadly, saving rates in the US and Japan are around 4%; Germany averages ~12% and France approximately 17.5% (sources: various macro statistics offices and Trading Economics). Whilst a 9% savings rate is wholly possible, regional conditions suggest our assumption of a 3% Malagasy savings rate (30 days cost of living) could also be over optimistic.

In addition, switching between banks is challenging for most Malagasy retail customers.

If a retail customer has a loan facility with its incumbent bank and wishes to move banks, i.e. move to a competitor, the incumbent bank must grant permission for the customer deposit account to be moved to the new bank.

The above two factors are interrelated and are designed to compensate for the data sharing characteristics of less developed banking markets, i.e. to protect the banking system from refinancing risk (customers borrowing more than they can afford).

There is little incentive to compete for banked retail depositor market share in the Madagascan market.

These factors also mean there is little retail demand for interest on deposits and relatively little competition between banks, translating to a retail customer base that is fundamentally sticky. These very short horizon retail deposits are profitably re-deployed in the BNI lending business.

There appears to be a thriving highly specialist micro finance institutions (MFI) market, in which Malagasy mobile telecoms are also acting as distributors as well as competing (in a limited way) directly for micro lending business.

In our view, high potential marketing costs for relatively little market share gain provide very little incentive for the Malagasy traditional banking market to fight for retail depositor market share. Additionally in our experience, whilst Madagascar is clearly a financially attractive market, it is at risk of a sudden competitive reform that would culminate in interest payments on retail deposits, which in turn would lower the current BNI RoE of ~33%.

Market retail dominance - BNI Madagascar is the largest bank by assets in Madagascar. As of 31 December 2023 it had a deposit base of MUR 33bn and net advances of MUR 22bn, down ~10% from 24.3bn as of 31 December, 2022.

Madagascar banked population - The IMF in 2020 estimated the banked percentage (proportion of population with access to some form of bank account) of the Malagasy population over 14 at 10.68% (vs. an average ~58% for 144 countries in 2017). Since 2020, Madagascar (in particular) has experienced rapid growth in the adoption of mobile money accounts.

The IMF in 2023 published and estimated that Madagascar has >10m mobile money accounts. Our Madagascar population assumption is 30m. It therefore does not seem unreasonable to conservatively assume 25% of the Malagasy population has access to some form of banking facility.

CIEL Finance management assumes the Malagasy banked population is 25% and that it has a market share of 15pp, i.e. 60% of that retail banked market.

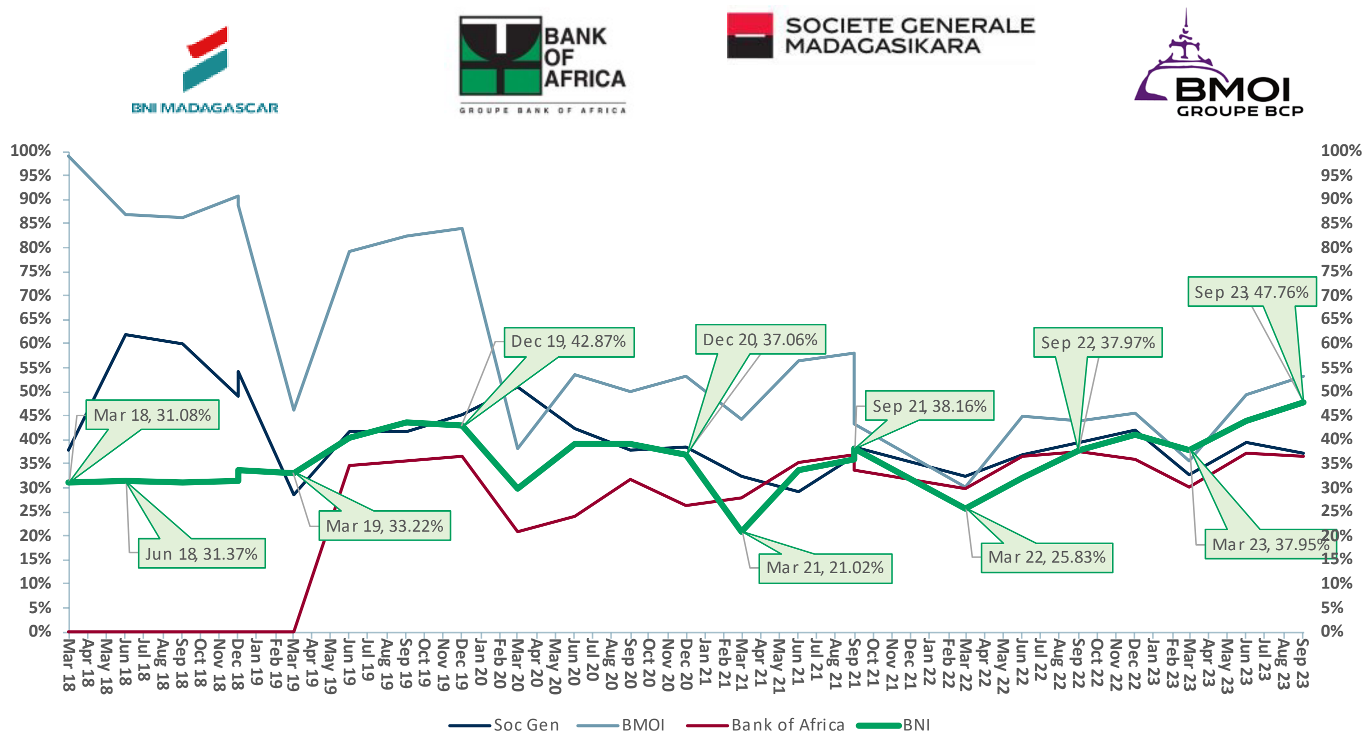
Our conservative assumption is that it is unlikely in the near term that the proportion of the formerly banked population will increase significantly due to demographics and the rate of economic development.

Those that need credit at the lower end of the market are turning to the **microfinance institutions (MFIs)** and local telco mobile offerings, which are largely resellers, but with some limited direct micro credit/lending offerings.

According to the IMF, mobile penetration in Madagascar reached 56.3% in 2021, an increase of 0.138% on 2020, suggesting penetration has reached temporary saturation. However GSMA Intelligence data suggest mobile penetration grew ~7.4% between 2020 and 2021 but from a lower base of ~43% penetration.

The Malagasy corporate lending market - Corporate lending competition, in contrast to the retail segment, appears significant. Winning back corporate clients once lost is consistently challenging, according to management.

Exhibit 7: BNI corporate lending market competitors -ROE 2018-2023



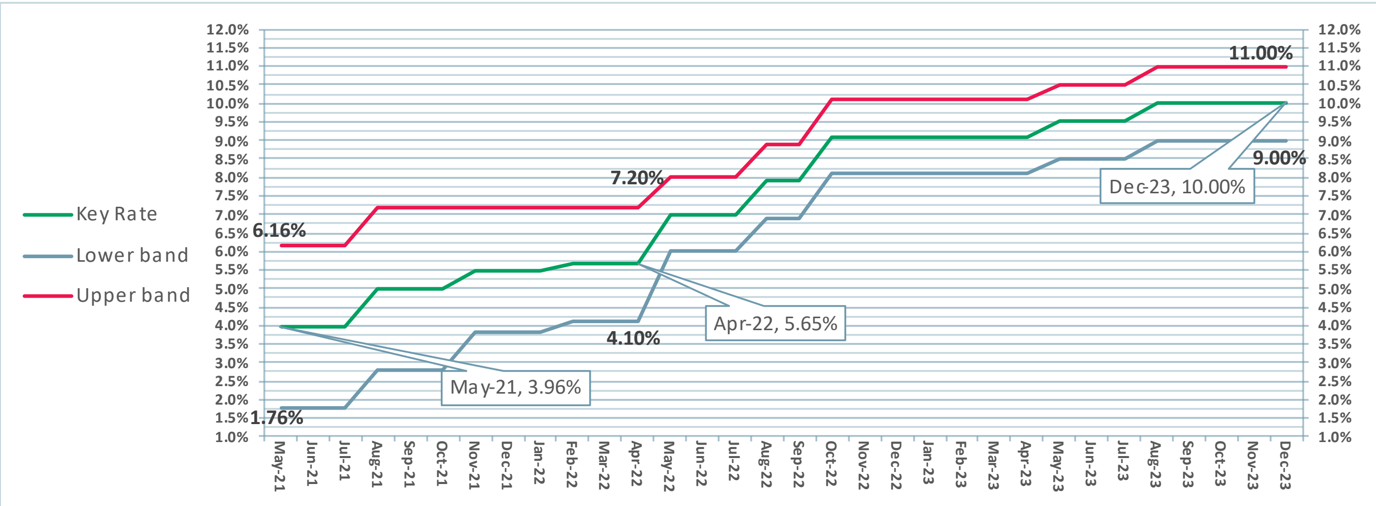
Sources: ACF Equity Research; Company Reports.

The corridor system is designed to provide effective signalling of short-term interest rates and lower volatility in money market rates. It also delivers some robustness for expanding central bank balance sheets during periods of expanding money supply. The base rate system on the other hand is simpler and provides clearer market communication, especially in times of higher inflation. However, the base rate (key rate) system can do more economic damage more quickly if it is mispriced by the central bank.

Malagasy monetary policy impacts – The Madagascan central bank, the Banque Central de Madagascar (also referred to as the BFM) key rate (the central bank interest rate or base rate) policy has created an economic disconnect. The BFM has been running an interest rate corridor rather than a 'central' key rate since 2019. The high value of the corridor is the Marginal Lending (borrowing) Facility rate, currently 11% and the lower value, which is 200bps below, is the Deposit Facility (investment) rate, currently at 9%. The key rate is in principle the rate in the middle of the corridor, i.e. 10% at the date of this note.

The Madagascan central bank monetary policy is not effective in the way seen in other economies – though central bank base rates have risen to 11%, CIEL Finance's BNI is lending at some 200bp points lower in order to maintain market position. Cross subsidization opportunities are available but how long this policy of lending below central bank base rates can be sustained is difficult to define.

Exhibit 8: **Madagascar interest rate corridor & key rate**



Sources: ACF Equity Research; Madagascar Central Bank.

If monetary tightening were to continue (we believe the interest rate cycle has reached its peak), we would expect net interest margin (NIM) to increase as a result.

BNI (Madagascar) continues to maintain its position as leader in the Malagasy corporate lending market, however competition is fierce. Growth opportunities are apparent within the SME market, though this will require focus on mitigation of credit and operational risks. Currently we model revenue YE24E for the Finance 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 modelled 80 bps increase in EBITDA margins YE24E to 32%. We anticipate an upward review to our annual forecasts after 1H24A performance beat our 1H24 expectations.

Mauritian Financial Sector – Digital Opportunity

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.

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. According to CIEL Mitco contributes approximately 4% to Finance cluster revenues, a relatively minor valuation impact. Nevertheless, CIEL considers Mitco a valuable contributor to CIEL Finance cluster's prospects.

The Mauritian banking sector is an attractive, robust and regionally significant market, with much in common with any other sophisticated European style economy.

The Mauritian financial and insurance sector is expected to contribute ~13.7% (USD ~1.7bn) to Mauritian GDP in 2023. The subsegment monetary intermediation (includes banking) is expected to contribute ~7.3% (USD ~12.4bn) to Mauritian GDP in 2023. Mauritian GDP is expected to grow ~5.0% in 2023 (post-Covid rebound) to reach ~USD 12.3bn and GNP printed USD 38.1bn in September 2023. World Bank estimates from 2022 suggest that Mauritian nominal GDP per capita was USD 10.216k which compares favourably to World Bank estimates for South Africa at USD 6.777k, Brazil at USD 9.460k and the global average at USD 12.648k.

Banking sector – In our view, the Mauritian banking sector is well-established, diverse and competitive with both local and international banks. We assess that growing market share is challenging and expensive. For CIEL finance the emphasis is likely to be on international growth.

Assets and deposits are growing - The sector has witnessed consistent growth in total assets and deposits. This could point to opportunities for new banking products and services. The competitive nature of a stable banking environment suggests that new products are unlikely to increase overall market share but they do have potential to increase share of wallet of existing customers.

Fintech and digital banking – Fintech is broadly considered to be a disrupter of legacy banking technologies. Though related to fintech, digital banking is best characterised as the re-packing of legacy banking with a digital wrapper.

There is a growing emphasis on both digital banking and fintech innovations in Mauritius. Mauritius, has already established itself as a provider of outsourced BPO, suggesting that a significant element of the multilingual workforce is highly IT literate.

The Mauritian economy - Our characterisation of the Mauritian economy with respect to employment, education, language skills and the overall labour market, supports our hypothesis that there is additional growth in the digital banking segment. There is opportunity for the introduction of new services to improve share of wallet and possibly to grow the number of individuals looking for services in the market.

Employment analysis – Mauritian employment statistics support our attractive but low growth Mauritian banking market hypothesis for Ciel Finance in its home market. According to Statsmauritius, a Mauritian government organisation, Mauritius has a population of 1.3m (we estimate that may as much as double during the peak of the tourist season).

The active labour force in 2023 was estimated at 589k, ~45% of the Mauritian population, up from 570k in 2020. The current unemployment rate is estimated at 6.7%. Whilst we suspect that long-term unemployment is a permanent feature for part of the labour force, we also suspect that a significant proportion of the unemployment statistics can be accounted for by frictional unemployment, perhaps higher than in Europe. The Mauritian literacy rate is estimated at ~92%. The literacy rate in hyper developed economies with stringent literacy rate definitions is around 95% or better.

Educated workforce - Schooling is compulsory to 16 years of age and the proportion of the population entering into tertiary education (undergraduate degrees) based on the university enrolment figures for 2022 is ~3.9%. Comparative UK figures suggest ~4.5% of its population is in tertiary education (World Bank, UK government). The Mauritian population growth rate in 2023 was estimated between 0.08% and 0.4% p.a. (MacroTends, World Population Review). Comparative figures for Western Europe in 2023 suggest its population is growing at 0.13% p.a.

Multilingual - The Mauritian 2022 census provides primary language segmentation - Mauritian Creole 90%, French 4.4%, English 0.6%, and Bhojpuri 5.1%. However, the majority of Mauritians appear to be tri or quadrilingual in our experience.

Tight labour market - We assess the labour market is tight for employers and our discussions on the ground suggest the recruitment of skilled workers is challenging. This in turn provides anecdotal evidence for a growing economy with attractive employment opportunity choices for the educated section of the workforce.

Mauritian GDP outlook - Employment structure and education characteristics of the Mauritian population suggest there is likely to be demand for digital banking solutions. It also suggests the skills and capacity exists for digital fintech startups and other financial services innovations.

These characteristics, whilst suggesting an increasingly competitive environment for Ciel Finance in Mauritius, can also create opportunities for growth, at least for share of wallet.

Offshore banking and global business - Mauritius remains a hub for offshore banking and serves as a gateway for investment into Africa. Historically, Mauritius has held a surfeit of USD. The jurisdiction has had historical challenges with its money laundering (AML/CFT) regime.

Some significant effort seems to have been made by Mauritius to prevent money laundering activities in an effort to re-build international banking sector credibility, with some reasonable success. The 2019 Eastern and Southern Africa Anti-Money Laundering Group Task Force Report stated Mauritius was re-rated to compliant or largely compliant for 35 (88%) of the 40 FATF recommendations.

Mauritian Regulatory framework - The Bank of Mauritius, the central bank, provides a stable and transparent regulatory environment reducing the probability of risk and encouraging direct foreign investment.

Mauritian Sustainable and 'Green Finance' opportunity - Mauritius is aiming to become a regional leader in sustainable and green finance. We observed that sustainability is a cultural meme in Mauritius, suggesting significant political support from the populous. We assess that there is a potential opportunity in the banking sector to develop a liquid Mauritian market for green bonds and sustainable loans.

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 9: **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.

Exhibit 10: **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

Exhibit 11: **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	22,854
NPV	1,214	1,295	1,293	15,109
Total NPV	18,910			
% interest	29%			
Total NPV attributable to shareholders	**5,484**			

Sources: ACF Equity Research Estimates; management discussions

Valuation – SOTP

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.

In our sum of the parts sanity check valuation, the finance cluster accounts for 16% of our implied EV vs. CIEL's 29% interest or 0.55pp of our EV per 1pp of CIEL interest, whereas textile contributes 35% of our EV vs. 100% CIEL interest or 0.35pp of EV per 1pp CIEL interest and Hotels and Resorts contributes 29% of our implied EV vs. a 50.1% CIEL interest or 0.58pp of EV per 1pp of CIEL interest.

The 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.

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 12: **CIEL Valuation – Sum-of-the-Parts**

SOTP (MUR m)	Full NPV	% interest	NPV attributable to CIEL	NPV attrib. (USD m)	% contrib. to implied EV
Textile	12,503	100%	12,503	269	35%
Hotels & Resorts	20,211	50.1%	10,126	218	29%
Finance	18,910	29%	5,484	118	16%
Healthcare	4,710	54%	2,544	55	7%
Agro	1,822	20.96%	1,822	39	5%
Properties	3,578	84%	3,006	65	9%
Ciel & Others	8,172	100%	8,172	176	23%
Eliminations	(8,334)	100%	(8,334)	(179)	
Total EV	**61,573**		**35,322**	759	
Net debt	12,064		12,064	259	
Implied equity	49,509		23,258	500	
Conglomerate discount	0	5%	(1,163)	(25)	
Implied equity after disc	49,509		22,095	475	
Shares	1,688		1,688		
Fair Value per share (MUR)	**29.34**		**13.09**	0.281	
Implied upside/downside			79%		

Sources: ACF Equity Research Estimates; management discussions

FX MUR USD translation values for valuation tables as at date of note.

Valuation – Group DCF

Exhibit 13: **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 10.42 per share (fully diluted) after recent issue of shares and effect of share price on risk calculations and change in leverage.

WACC Calc CIEL	
Pre-tax cost of debt	6.2%
ETR	18.0%
After-tax cost of debt	5.1%
Current Leverage	97.5%
Debt/(Cash)	12,006
Equity	12,319
Target Leverage	40.0%
D / (D+E)	49.4%
ACF β adj levered	0.9
rf	4.4%
Rm	0.0%
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 for valuation tables as at date of note.

Valuation Range - Base Case CIEL	NPV (MUR m)	NPV (USD m)
Total NPV FCF (MUR m)	35,288	759
Net Debt/(Cash)	12,006	258
Implied Equity Value	25,104	540
Conglomerate Discount	30%	
Fair Value Post Discount (MUR m)	17,573	378
NoSh (m)	1,688	
NoSh (diluted) (m)	1,688	
Intrinsic Value Per Share (Rs)	10.42	0.224
Close Price (Rs)	7.30	
VR (low - high)	**10.16**	**10.68**
VR Spread	5%	
Implied VR Return (low - high)	39%	46%

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

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.

Glossary

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.
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.
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.
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.
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.
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.
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.
WACC	Refers to the weighted average cost of capital for the firm.

Notes [Intentionally Blank]

Notes [Intentionally Blank]

Check the Independence of Research

As a result of MiFID II and the unbundling of commissions in the UK and Europe and various comparable unbundling legislation originating in the US, over time, the payment models for research have changed. This also means that nano to mid-cap and even some larger cap companies can no longer obtain research via their broker or investment banking relationship as it is no longer commercially viable to do so.

Investment (equity) research has always been a business and, as such, has always been paid for. Over its evolution since the 1920s investment research has been paid for using a variety of models. Since the 1950s investment research has been paid for after production and publication either via trading commissions, transaction fees (money raising, IPO, M&A etc.), via stock payments, opaque retainer structures or cross subsidization - investment research paid for in these ways is subject to opaque high levels of bias and is recognized as such and now legislated against by US, UK and EU regulators.

We recommend readers in any market or geography request the following checks are carried out and answered as indicated below in order to obtain investment research that is as independent and with as few biases as possible:

Is the research MIFID II compliant	**YES**	☑
Is the research provided by a broker and paid for after it has been produced.	**NO**	☑
Is the research potentially cross subsidized by other investment banking services.	**NO**	☑
Is the research potentially or actually paid for in shares or other financial instruments.	**NO**	☑
Has the research been paid for in advance of production via cleared funds.	**YES**	☑

I, Christopher Nicholson, hereby confirm that ACF Equity Research Ltd.'s investment research products conform to the above five [5] checks.

Christopher Nicholson
Managing Director
Head of Research
ACF Equity Research Ltd

To make an exception to the above principles for one client would be to damage our research brand and the investment all other clients past, present and future have or will make in our independent research services.

Disclosures & Legal Statements

Important Research Disclosures

Christopher Nicholson (Head of Research) certifies that (1) the views expressed in this report accurately reflect our personal views about all of the subject companies and securities and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

The analyst(s) responsible for preparing this report received compensation on the basis of a fixed fee paid in advance and is not in any way contingent upon positive opinions and conclusions in its research report. ACF Equity Research does not engage in investment banking, which would create a conflict of interest.

ACF Equity Research's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector, or the market that may have a material impact on the research views or opinions stated herein.

ACF Equity Research's policy is only to publish investment research that is impartial, independent, clear, fair, and not misleading.

Conflicts of Interest

ACF Equity Research does at its sole discretion engage in the business of investment research production and related services such as capital markets general and specific advice for which it receives a fixed fee payable in advance with companies that are the subject of its research reports and **where this is the case it is clearly stated at the bottom of the first page of the report that the company that is the subject of the report is a client of ACF Equity Research.** Although ACF Equity Research does not permit these factors to compromise its objectivity investors should proceed on the basis that such financial relationships may create a conflict of interest that could affect the objectivity of this report.

This report is not intended to provide personal investment advice. The opinions herein do not consider individuals' circumstances, objectives, needs, or goals, and therefore are not recommendations of any securities, financial instruments, or investment strategies. The reader of this report must make its, his, or her own independent decisions regarding any securities or financial instruments mentioned herein.

This report is not in any sense an offer or solicitation for the purchase or sale of a security or financial instrument. The statements herein have been taken from sources we believe to be reliable, but such statements are made without any representation as to accuracy or completeness or otherwise, except with respect to any disclosures relative to ACF Equity Research or its research analysts. Opinions expressed are our own unless otherwise stated and are subject to change without notice.

In the United Kingdom (UK) ACF Equity Research is regulated by the Financial Conduct Authority (FCA). **In the US** neither ACF Equity Research nor its analyst(s) are a FINRA registered broker-dealer or investment adviser and ACF Equity Research does not provide investment banking services.

This report belongs to ACF Equity Research and is not attributable to the company featured in its report and is based solely on publicly available information about the company featured in the report.

INDEPENDENCE & DISTRIBUTION

ACF Equity Research Ltd is a provider of issuer-pays research with a clearly defined independent ethic. ACF produces accurate, clear, focused research aimed at a professional investment audience. ACF has excellent distribution capabilities and always aims to provide access without restriction to the widest professional audience. ACF offers a range of additional services to support its clients.

DISCLAIMER

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. [The opinions expressed in this report herein do not take into account individual investor circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein.] ACF Equity Research Ltd has based this document on information obtained from sources it believes to be reliable, but which it has not independently verified. Neither ACF Equity Research Ltd. nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. [Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by ACF Equity Research Ltd. with respect to future performance. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.]

IMPORTANT DISCLOSURES FOR U.S. INVESTORS

This research report was prepared by ACF Equity Research Ltd., a company authorized to engage in securities activities in the United Kingdom. ACF Equity Research Ltd. is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through, a registered broker-dealer in the United States. The analyst who prepared this research report is not registered or qualified with the Financial Industry Regulatory Authority ("FINRA") and may not be associated with a U.S. broker dealer and as such, would not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

[Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.]

LEGAL NOTICE

This report is for authorized use by the intended recipient(s) only. It may contain proprietary material, confidential information and/or be subject to legal privilege. No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of ACF Equity Research Ltd. and ACF Equity Research Ltd. accepts no liability whatsoever for the actions of third parties in this respect.

IMPORTANT ADDITIONAL DISCLOSURES FOR U.K. INVESTORS

The information in this report has been prepared by ACF Equity Research Ltd (ACF). The research is published for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any securities or any financial instruments.

ACF has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of ACF Equity Research Limited. The material should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance does not guarantee future performance.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of ACF which may, from time to time, solicit business from any of the companies referred to in this report. The analyst(s) responsible for covering securities in this report may not hold a position in any or related securities in this report in ACF's sector universe on in any other sector in which ACF carries out research. The company does not hold any position in the securities mentioned in this report.

This research report and its contents are intended for professional investors and not for retail investors. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of the investment research. ACF Equity Research Limited is authorised and regulated by the Financial Conduct Authority. However the contents of this research report are produced as if ACF Equity Research Limited is unregulated and consequently this report does not contain investment recommendations or ratings.

ACF, its directors, employees and agents accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or part of these materials. The information in this report is provided with the understanding that ACF is not acting in a fiduciary capacity. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall in no way constitute a waiver or limitation of any rights a person may have under such laws and/or regulations.

ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.
Tel: +44 (020) 7558 8974
Website: www.acfequityresearch.com