

POST RESULTS 9M24A VALUE RANGE

10.16 – 10.68



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.

Wednesday, 05 June 2024

Intrinsic Price (m)	10.42
Value Range Low (m)	10.16
Value Range High (m)	10.68
Implied MCAP (m)	17,585
Implied EV (m)	29,591
SEMDEX	CIEL
Year End	30-Jun
Currency	MUR

Business Activity

Conglomerate

Key Metrics

Close Price MUR (m)	7.24
MCAP MUR	12,232
Net Debt (Cash) (m)	11,680
EV (m)	23,912
52 Wk Hi	7.48
52 Wk Lo	6.14

Key Ratios

Net Debt /	95%
Equity Value %	
FX USD / MUR	45.00

Industrials Sector Research

SEMDEX Market Index

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Ciel Limited 9M24A Post Results

EBITDA, EAT, EPS, well ahead, FCF in line.

CIEL Limited (SEMDEX: CIEL) is a Mauritius listed diversified industrial company and one of the last great growth opportunities - Asia and Africa. CIEL operates across 6 'clusters' - Textile, Properties, Healthcare, Hotels & Resorts, Finance and Agro. CIEL's 9M24 results put CIEL very comfortably ahead of our YE24E forecasts for EBITDA, EAT and EPS. FCF (the basis of our DCF valuation) is in line for YE24A assuming Textiles is back 'online' for 4Q FCF, and or there are further land sales/increases in cluster stake holdings. We expect CIEL to miss our current YE24E revenues by 1.5-2.5%, a small top line revenues miss is of minor concern given other progress. FCF/EBITDA conversion rates have declined between 2023 and 2024 for 1H, 3Q and 9M with Textile 3Q24A FCF turning negative. Our full year Textile cluster FCF margin YE24E is 3.35%.

- Grp Revs down 3% y/y due to Textile revs contracting 16% y/y;
- EBITDA margin up 3.5% y/y;
- EPS USD up 23.6% 0.0283 vs. 0.0228 y/y (using average FX rates);
- Estimated FCF Margin attributable. to Grp 8.4% vs. 6.9% y/y;
- Estimated Net Debt(ND)/FCF attrb. 5.2x vs.10.0x y/y.

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	8.2x	5.7x	5.7x	4.2x	4.2x
2025E	0.6x	3.3x	5.8x	4.6x	4.6x	3.0x	3.0x

TABLE OF CONTENTS

Investment Case.....	3
Catalysts.....	3
9M24A Results Analysis.....	4
Financial Projections - Group.....	8
Disclosures & Legal Statements.....	10

TABLE OF EXHIBITS

Exhibit 1: FCF – As per International Releases USD (m).....	5
Exhibit 2: FCF – Attributable Contribution to Group USD (m)	5
Exhibit 3: FCF – Attributable Contribution to Group %.....	5
Exhibit 4: FCF Attributable / EBITDA Conversion Rate %.....	6
Exhibit 5: FCF Margin (M%) Average & Median by Cluster & Group.....	6
Exhibit 6: EAT (PAT) -Earnings or Profit After Tax) USD	6
Exhibit 7: Moving Average EAT (PAT) USD.....	7
Exhibit 8: Moving Average Attributable FCF / EBITDA Conversion %.....	7

Investment Case

CIEL Ltd. (SEMDEX: CIEL) is a diversified industrial company with six [6] sectors (clusters) across 10 emerging markets (South Asia, East Africa and Mauritius). In a persistent inflation and high interest rate environment CIEL Group printed a positive 9M24A. 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, 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 wealthy India Ocean 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) earning, we estimate, >50% of revs in USD, EUR and GBP. CIEL has stakes in over 25 companies organised in clusters across six sectors - **Textile, Properties, Healthcare, Hotels & Resorts, Finance and Agro (sugar)**. **Performance summary** - Our 9M24A and 3Q24A analysis point to the flexibility of the CIEL conglomerate/cluster model in which FCF forecasts can be kept on track through Property cluster land sales, changes to holdings (and one off WCAP gains triggered by reduced revenues in Textiles). CIEL's international release indicates that over the last 12 months CIEL has made significant progress by cutting net debt, improving income statement profit margins and using the Group's business model flexibility to generate FCFs in line with our forecasts.

Our one area of potential concern is our estimated **FCF/EBITDA conversion rate**, our analysis describes a declining trend 1H24A/1H23A, 3Q24A/3Q23A, 9M24A/9M23A, whilst in contrast PAT is expanding. Group Finance states the FCF/EBITDA conversion trend is cyclical and suggests it will reverse at YE24.

High-growth emerging markets: Specifically, CIEL's presence in South Asia (India and Bangladesh) positions it over the mid-term and long-term to benefit from strategic supply chain shifts away from China, which we assess has potential to drive a significant turn-around in the textiles cluster. **International markets:** CIEL's positioning in international strategic market segments and sustained deep management experience, remain significant assets.

Catalysts

Improved investor usability of financial materials; Dual listing; Balance sheet simplification; Equity growth capital raise; Re-visit payout ratio to support growth; Entry into new growth segments; Reduced inflation; Dovish Fed policy.

Share Price History	No. of Shares In Issue	Fully diluted
NoSh (m)	1,690	1,690
Implied Intrinsic Price	10.42	10.42
Value Range Low	10.16	10.16
Value Range High	10.68	10.68
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)	12,232	12,232
Net Debt (Cash) (m)	11,680	11,680
EV (m)	23,912	23,912
52 Wk Hi	7.14	7.14
52 Wk Lo	5.70	5.70
Effective Free Float	N/A	N/A

*Key Metrics FCF 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	2.96
P/CPS (Exp D)	4.2x	2.96
P/CPS (FD)	4.2x	2.96

Note minor valuation decrease due to increase in NoSh in issue to 1,689,561,000

9M24A Results Analysis

Hotels & Resorts – RevPAR (revenue per available room) was up 13%, suggesting that rising costs can, at least in part, be passed on to customers, which we attribute to the cluster's clear and well executed value propositions. We have some concern over the 3Q trend for attributable FCF 3Q24A as this declined to USD 4.9m vs. 7.9m for 3Q23A. Nevertheless, the hotel cluster has seasonal cash flows and we expect a very strong pick up in 4Q24E as WCAP contracts and operator revenues flow back to CIEL.

Textile – Woven and knitwear performed well in spite of challenging retail market conditions. We infer that the Textile cluster also suffered from inflationary cost pressures which, in contrast to Hotels, it was unable to pass on fully to its end clients. Finance costs were also elevated over the comparison periods 9M24A vs. 9M23A reflecting, in part at least, the higher global interest rate environment which, is itself in place to combat inflation (the same higher interest rate environment has benefitted the finance cluster). 3Q24A attributable FCF, we estimate, was marginally negative at USD (0.3)m vs. an 18.9m positive attributable contribution to Group for the entire 9M24A. The positive attributable FCF contribution from Textile was, in our analysis, due to a one off working capital gain on lower revenues and so reduced inventory.

Finance – Revenues grew 8.8% in US\$ terms y/y and EBITDA margins continued to expand whilst FCF generation was flat. Lending has been relatively stable at BNI (Madagascar). The Central Bank in Madagascar increased its prime lending rate in Dec 2022, however this increase in rates was passed to BNI clients in Jan 2023, according to CIEL, therefore 9M23A only benefitted from 1Q of higher lending rates vs. 9M24A. Lower interbank loans have also helped drive margins up (interbank loans are relatively expensive instruments and are or have been used to partially fund the loan book). FCF remained flat 9M24A vs. 9M23A due to higher cash taxes and advance cash taxes (a Madagascan regulatory requirement) paid in 9M24A.

Healthcare – EBITDA rose due to efficient management of OPEX in Mauritius and Uganda, which we infer was largely a move to delay recruitment and by keeping salary rises in check (we infer that the ability to substitute salary rises for an attractive working environment is credit to CIEL's culture and is a well-established and documented approach in management texts and research, e.g. Harvard Business Review). PAT was negatively impacted by higher depreciation charges and higher financing costs. Higher depreciation charges are the result of past growth investments. According to CIEL Group Finance, Healthcare's maintenance capex rose driven by essential equipment replacement costs. There has been an extreme turnaround in FCF/EBITDA conversion rate, between 1H24A (34.3)% and 3Q24A up at 94.0%. Nevertheless, our estimated FCF/EBITDA conversion rate 9M24A is 8.7% vs. 37.5% y/y.

Property – Rental income increased driving revenues higher for the 9M24A y/y and up 3Q24A by 33.3% y/y. EBITDA 2Q24A benefitted from the profit derived from the sale of agricultural land at Ferney. 3Q24A EBITDA printed a loss of USD (0.6) to deliver 9M24A EBITDA USD 8.5m and attributable FCF USD 8.1m, accounting for 16.5% of 9M24A FCF attributable to Group.

Agro - During the 9M24A periods Alteo benefitted from higher sugar prices, whilst Miwa contended with a contraction in production volumes in Tanzania driven by factory outages.

Exhibit 1: FCF – As per International Releases USD (m)

FCF (International Releases) USD (m)	1H23A	1H24A	3Q23A	3Q24A	9M23A	9M24A
Hotels & Resorts	18.4	17.7	15.8	10.2	34.2	27.9
Textile	5.2	19.2	13.4	-0.3	18.6	18.9
Finance	18.4	14.8	6.1	9.5	24.5	24.3
Healthcare	1.1	-3.4	4	4.7	5.1	1.3
Properties	-4.3	-4.4	3.1	15.3	-1.2	10.9
FCF CIEL Limited	-3.1	-2.8	0.2	0.6	-2.9	-2.2
Total	35.7	41.1	42.6	40	78.3	81.1

Sources: ACF Estimates; Company reports (International Release) and Group Finance guidance.

Exhibit 2: FCF – Attributable Contribution to Group USD (m)

FCF attrib. to Grp on % holding USD (m)	1H23A	1H24A	3Q23A	3Q24A	9M23A	9M24A	*9M23A	**9M24A
Hotels & Resorts	9.2	8.5	7.9	4.9	17.1	13.4	48.80%	48.09%
Textile	5.2	19.2	13.4	-0.3	18.6	18.9	100.00%	100.00%
Finance	5.3	6.0	1.8	3.8	7.1	9.8	39.51%	40.23%
Healthcare	0.6	-1.8	2.2	2.5	2.8	0.7	55.93%	53.85%
Properties	-3.6	-3.3	2.6	11.3	-1.0	8.1	66.67%	73.97%
FCF CIEL Limited	-2.2	-2.7	0.1	0.6	-2.0	-2.1	70.00%	96.77%
FCF to CIEL Grp	14.6	25.9	28.0	22.9	42.6	48.7		

Sources: ACF Estimates; Company reports (International Release) and Group Finance guidance. *Attributable % used as per CIEL Group Finance guidance for period, applied to all periods of same year for comparability. **Attributable % used as per CIEL Group Finance guidance for period, applied to all periods of same year for comparability.

Exhibit 3: FCF – Attributable Contribution to Group %

% FCF attrib., contribution to Grp	1H23A	1H24A	3Q23A	3Q24A	9M23A	9M24A	Average	Median
Hotels & Resorts	63.3%	32.9%	28.3%	21.5%	40.3%	27.5%	35.6%	30.6%
Textile	35.7%	74.2%	47.9%	-1.3%	43.7%	38.8%	39.8%	41.2%
Finance	36.6%	23.0%	6.3%	16.7%	16.7%	20.1%	19.9%	18.4%
Healthcare	4.1%	-7.1%	7.7%	11.1%	6.5%	1.4%	3.9%	5.3%
Properties	-24.8%	-12.6%	9.3%	49.5%	-2.4%	16.5%	5.9%	3.5%
FCF CIEL Limited	-14.9%	-10.5%	0.5%	2.5%	-4.8%	-4.4%	-5.2%	-4.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

Sources: ACF Estimates; Company reports (International Release) and Group Finance guidance.

Exhibit 4: FCF Attributable / EBITDA Conversion Rate %

FCF / EBITDA Conversion %	1H23A	1H24A	3Q23A	3Q24A	9M23A	9M24A	Average	Median
Hotels & Resorts	65.9%	53.6%	96.9%	64.2%	77.4%	57.1%	69.2%	65.1%
Textile	24.2%	111.6%	128.8%	-3.9%	58.3%	76.2%	65.9%	67.3%
Finance	123.5%	63.0%	59.8%	81.9%	97.6%	69.2%	82.5%	75.6%
Healthcare	12.2%	-34.3%	87.0%	94.0%	37.5%	8.7%	34.2%	24.9%
Properties	-1433.3%	-48.4%	-3100.0%	-2550.0%	-600.0%	128.2%	NM	NM

Sources: ACF Estimates; Company reports (International Release) and Group Finance guidance.

Exhibit 5: FCF Margin (M%) Average & Median by Cluster & Group

FCF M% Clusters (International Releases)	1H23A	1H24A	3Q23A	3Q24A	9M23A	9M24A	Average	Median
Hotels & Resorts	19.7%	17.5%	33.7%	20.1%	24.4%	18.4%	22.3%	19.9%
Textile	2.4%	10.6%	14.5%	-0.4%	6.1%	7.4%	6.8%	6.7%
Finance	32.8%	23.9%	21.3%	31.3%	28.9%	26.3%	27.4%	27.6%
Healthcare	2.6%	-6.7%	17.4%	17.7%	7.8%	1.7%	6.7%	5.2%
Properties	NM	NM	NM	NM	NM	NM	NM	NM
Average	14.4%	11.3%	21.7%	17.1%	16.8%	13.4%	15.8%	14.9%
Median	11.1%	14.0%	19.3%	18.9%	16.1%	12.9%	14.5%	13.3%
Grp Revs (International Releases) USD (m)	409.7	398.1	192.2	182.5	601.9	580.6		
FCF attrib. estimated to Grp	14.6	25.9	28.0	22.9	42.6	48.7		
FCF attrib. estimated M% to Grp	3.6%	6.5%	14.6%	12.5%	7.1%	8.4%	8.8%	7.7%

Sources: ACF Estimates; Company reports (International Release) and Group Finance guidance.

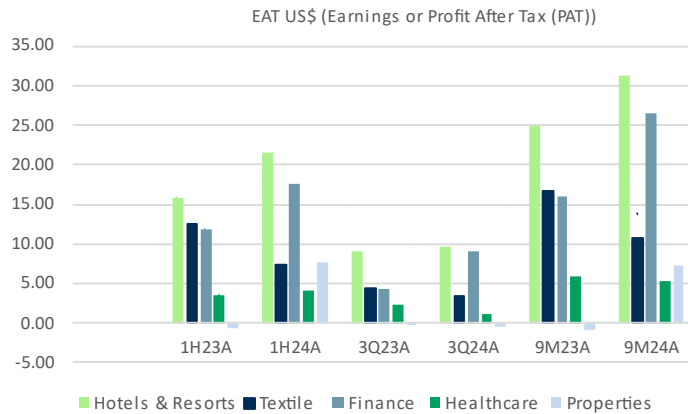
Exhibit 6: EAT (PAT) -Earnings or Profit After Tax) USD

EAT US\$ (Earnings or Profit After Tax (PAT))	1H23A	1H24A	3Q23A	3Q24A	9M23A	9M24A
Hotels & Resorts	15.8	21.5	9.1	9.7	24.9	31.2
Textile	12.5	7.3	4.3	3.5	16.8	10.8
Finance	11.9	17.5	4.2	9	16.1	26.5
Healthcare	3.6	4	2.3	1.2	5.9	5.2
Properties	-0.7	7.7	-0.2	-0.4	-0.9	7.3

Sources: ACF Estimates; Company reports (International Release) and Group Finance guidance.

The exhibit below shows the 2-period moving average trend for EAT (PAT in the CIEL international releases) which shows an attractive upward trend for PAT.

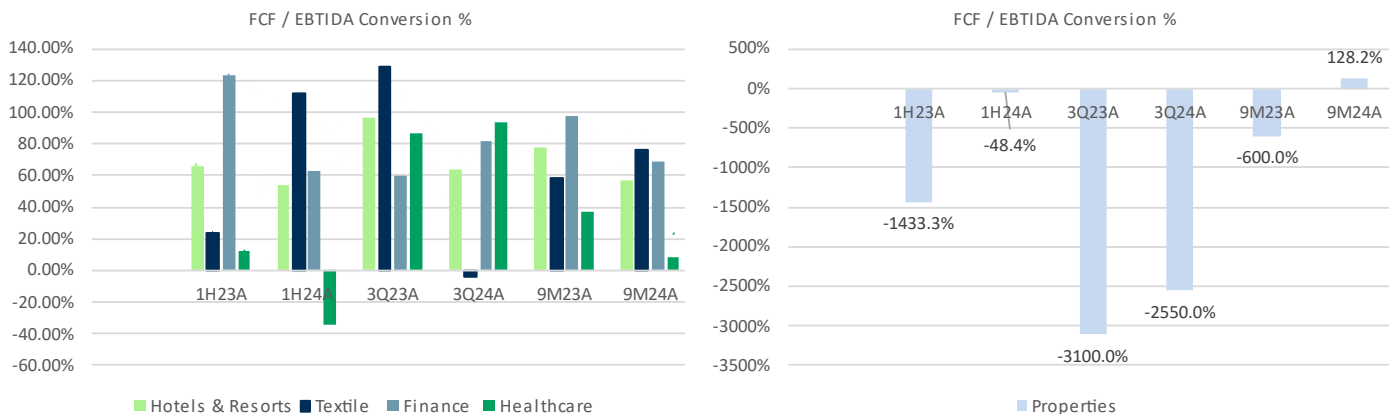
Exhibit 7: Moving Average EAT (PAT) USD



Sources: ACF Estimates; Company reports (International Release) and Group Finance guidance.

The exhibits below show FCF / EBITDA conversion rates with a 2 period moving average excluding the property cluster. In the exhibit to the right we present the property cluster FCF / EBITDA conversion rate so investors can see the necessity of our approach by looking at the left hand side scales for both charts. Property development is necessarily much more cyclical than CIEL’s other clusters and is characterised by long cycles of development before projects deliver returns on investment, capital and free cash flow. The charts show broadly that the conversion rate for attributable FCF/ EBITDA is declining whereas the PAT moving average is clearly improving.

Exhibit 8: Moving Average Attributable FCF / EBITDA Conversion %



Sources: ACF Estimates; Company reports (International Release) and Group Finance guidance.

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
Liabs held for sale	3,435.5	3,435.5	3,435.5	3,435.5	3,435.5
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
% LTV ALSP adj.	50.6%	48.6%	53.8%	27.4%	21.2%
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.

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Is the research potentially or actually paid for in shares or other financial instruments.	NO	<input checked="" type="checkbox"/>
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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

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